THE MAGAZINE OF WALL STREET

NOVEMBER 11, 1933

Can Prices Be Lifted By Federal Gold Operations?

By THEODORE M. KNAPPEN

Sanity Reaches the Movies

By C. F. MORGAN

What Third-Quarter Reports Indicate for Stock Prices

By GLEN PRICE MANTON

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Vol. 53, No. 2 **November 11, 1933**

The Ticker Publishing Co. is affiliated with no other organization or institution whatever. It publishes only The Magazine of Wall Street, issued bi-weekly, Adjustable Stock Ratings, issued monthly, and the Investment and Business Forecast, issued weekly.

C. G. Wyckoff, President and Treasurer. E. Kenneth Burger, Vice-President and Managing Editor. Edgar P. Hildreth, Secretary. The information herein is obtained from reliable sources and while not guaranteed we believe it to be accurate. Single copies on newsstands in U. S. and Canada, 35 cents. Place a standing order with your newsdealer and he will secure copies regularly. Entered as second-class matter January 30, 1915, at P. O., New York, N. Y., Act of March 3, 1879. Published every other Saturday.

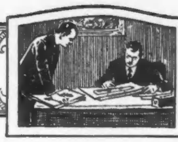
SUBSCRIPTION PRICE—$7.50 a year in advance. Foreign $8.50. Canadian $8.00. Please send International Money Order or U. S. Currency.

TO CHANGE ADDRESS—Write us name and old address in full, new address in full and get notice to us three weeks before you desire magazine sent to the new address.

EUROPEAN REPRESENTATIVES—International News Co., Ltd., Breams Bldg., London, E. C. 4, England.

Cable Address—Tickerpub.

WITH THE EDITORS



Prune the Tree But Don't Kill It

FEW things in this life of human frailties are either all black or all white. Seldom can a complex and controversial question be answered with either "Yes" or "No." And so it is with speculation, concerning which there is increasing political agitation and rumbling threats of future governmental regulation in greater or lesser degree. It is a curious psychological phenomenon that such agitation almost invariably becomes loudly vocal during or after the period of saddening reaction which invariably follows an overdone speculation, rather than when the public's speculative enthusiasm is running high. It is both curious and ironical that the speculative performance of 1933 has danced almost exclusively to the tune played by Washington in its breath-taking symphony of "New Deal" economics, and that political admonition should be thrown at Wall Street—which only followed Washington's lead—at a time when the Stock Exchange itself has erected more rigid safeguards around security speculation than ever before.

The desire to speculate is an ingrained characteristic of human nature and will always find outlets of one kind or another, if not in legitimate speculation then in outright gambling. In many parts of the world the lottery is still legal and popular. In various of our own states betting on the horses is legal.

Speculation in securities can be crippled, but will never die as long as any semblance of democracy remains with us. If margin trading in its present form were abolished, much the same practice could be financed through bank collateral loans. Even on a basis of outright cash purchase, speculation would not disappear any more than it has disappeared in real estate.

It should hardly be necessary to remind any intelligent person that speculation in commodities provides an invaluable hedge against speculative losses in the processing of commodities, without which insurance prices to the public would have to be higher to cover the unhedged risk. Speculation in securities provides a ready cash market—usually with close agreement between buyer and seller as to the fair prevailing value—and over a period of time in the most practical measure either of decline or advance in intrinsic security values. If anyone doubts this, let him try to find a buyer at fair price for an unlisted, local security.

As long as wide fluctuations occur in the general economic trend, in the status of individual industries and in the positions of individual corporations, there will inevitably be wide fluctuations in security values and prices. Excessive regulation would result in a "thinner" market, inherently subject to wider and more abrupt fluctuations than at present. Without the ready market which speculation makes, corporate financing would be difficult and costly and widespread distribution of the ownership of American industry would be impossible. Without the ready market which speculation makes, the safety of the assets behind a huge total of bank loans would be questionable.

No amount of regulation will abolish human greed any more successfully than Prohibition abolished drinking. The wise man is his own best protection against either drinking to excess or going over his head in speculation. Admittedly, abuses exist in Wall Street as elsewhere, but nowhere is the integrity of fairly negotiated contracts more inviolate. Let us by all means tighten the safeguards as far as possible. It is wise to prune the tree, but folly to cut it down.

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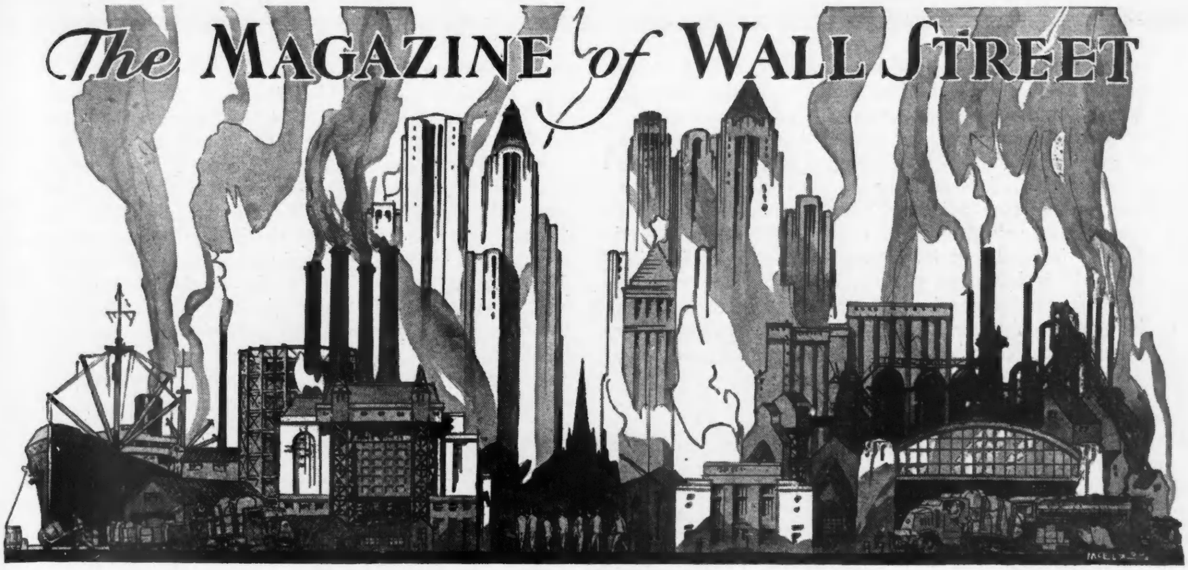

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The Trend of Events

— Let Europe "Go Along"
— After the N R A
— Pay It Out
— Public Works Begin to Take
— Down Goes the Price of Rails
— The Market Prospect

LET EUROPE "GO ALONG"

THE almost unanimous European denunciation of President Roosevelt's enterprise of raising commodity prices by purchasing gold at advancing prices is a good indication that it will get results if not deliberately foiled by hostile foreign policy. Europe seems to be convinced that if the Roosevelt scheme is good for us it must be bad for it. While rising prices here might be inimical to European interests for a time, what the President desires is a universally higher price level. The best way to recover a balanced relation of prices is to raise the general level. The only other way disparities can be ironed out is to depress the price level. What Europe should do is to join us in lifting the price of gold, and with it the general level of commodity prices. Business will stagnate until the producers of raw materials and foodstuffs get hold of purchasing power. Higher prices for them or lower prices for their suppliers is the alternative. We can ultimately build up an isolated American high price area. Does Europe want that? It is possible that after the first impulse of bias against the American way of President Roosevelt wears off, France and England may go along with us in a limited way. We have no desire to move gold out of either country—what we are after is to move prices up. It is perhaps significant of a tolerant attitude that our first purchase of foreign gold was from the Bank of France. The Roosevelt idea may be adopted by the world. If so, there is a good time coming.

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AFTER THE N R A

PERMANENT national co-ordination of industry is inevitable. It is, indeed, necessary. If business does not co-ordinate itself the job will be done by the Government. Emergently, the Government is actually doing it, although leaving administrative details to associations and "code authorities" chosen by the membership of the various groups. But after the National Industrial Recovery Act expires by limitation in 1935 what will ensue?

An answer has been given by Gerard Swope, as chairman of the Business and Advisory Planning Council of the Department of Commerce. Briefly, Mr. Swope proposes that the entire administrative organiza-

tion of the N R A shall be taken over by the Chamber of Commerce of the United States, operating through national and regional associations. The Roosevelt Administration, however, has replied that it is determined to give the present N R A set-up a full opportunity to prove itself before turning to any other plan. Between these two points of view a middle-of-the-road compromise would appear in order. The principle of N R A is valid, but its present bureaucratic direction certainly is less than perfect. Within governmental authority and supervision, why not begin to establish industrial self-government? Let N R A or some other permanent Federal agency have a reasonable veto power over a central industrial authority.

Something like this must be adopted, or the growing dissatisfaction of business with rules and regulations imposed from without and largely administered without sympathetic understanding will stop in its tracks the worthy venture into the solution of the problem of retaining the advantages of individualism in business concurrently with general direction in the public interest.

We are certainly going somewhere else than we were before March 4 and the "new deal." We shall have self-government in business with new objectives and new ideals or we shall have the stupidities and inanities of an entrenched bureaucratic control and direction of economic life. The old ways have become impossible; between the new ways the choice is obvious.

PAY IT OUT

THIS is the time when all good companies should come to the aid of recovery. Such a slogan should logically carry more weight than futile appeals to the public to "Buy Now." The public is willing to buy when it has the means with which to buy. The dividends paid by corporations make up an important part of its normal buying power. Therefore, corporations can do their bit for economic revival, and in so doing help themselves, by distributing to stockholders in this period the maximum possible proportion of earnings. Whatever the doubts of the future may be, there can be no doubt that the bottom of the depression has been seen. If so, the need for extreme caution is past. Moreover, with some degree of monetary depreciation a probability, this is no time for either corporations or individuals to hoard dollars. If surplus is adequate protection against reasonably estimated near-term contingencies, why not give the stockholder a break? If conservatism does not justify a boost in the regular dividend rate, why not pay a special extra dividend, so designated, in the interest of national recovery?

PUBLIC WORKS BEGIN TO TAKE

FOR the first time in three years, building construction throughout the country is running ahead of the total in the corresponding period of the preceding year. During the first half of October, construction contracts in the 37 states east of the Rocky Mountains aggregated $64,940,900, according to the F. W. Dodge Corp. This compares with $55,271,600 in the first half of September and with $54,339,200 in the first half of October, 1932. The gains, respectively, were 17.4 per cent and 19.5 per cent. This showing would indicate significant recovery in the most depressed heavy industry if it were not for the fact that the gain was due entirely to the Federal public works program. This spending, designed to act as a business primer, is beginning to take hold. Of the above stated total of $64,940,900, public financing accounted for $45,902,600. Even with this artificial improvement. construction remains far down in the sub-normal area. The total Federal appropriation, which can only be expended soundly over a period of several years, is relatively small in comparison with the normal volume of privately-financed construction in this country. Nothing remotely approaching normal recovery is likely until monetary uncertainties are ended and the long-term capital market is resurrected.

DOWN GOES THE PRICE OF RAILS

WHILE most everything else came tumbling down in price, steel rails were held at $40 a ton throughout most of the depression. Steel companies apparently were content to make few rails or none, rather than bow to the downward trend of commodity quotations. What the force of depression could not do in breaking down this rampart, however, the Roosevelt Administration has now done by negotiation. The proposed concession of four leading manufacturers of $37.75 and Co-ordinator Eastman's demand of $35 have been compromised at $36.375 per ton. On this basis the Government will lend approximately $30,000,000 to such railroads as care to borrow in order to purchase rails at the agreed price. This sum would purchase 845,000 tons of rails and would provide employment for several thousand workers. At least two uncertainties are left. Some roads still insist that a price of $35 is all they care to pay. Others say they don't need rails, anyway. The steel companies say no collusion was involved in their uniform quotation, the three independents merely having matched the price formally offered by United States Steel. The companies also say that the agreed price will hold only for the present emergency program. That remains to be seen. The precedent having been established, one wonders whether the railroads will cheerfully submit to a restoration of the old price. Also, one gathers that Mr. Roosevelt plainly did not mean everything when he promised to put prices up.

THE MARKET PROSPECT

OUR most recent investment advice will be found in the discussion of the prospective trend of the market of page 60. The counsel embodied in this feature should be considered in connection with all investment suggestions elsewhere in this issue. Monday, November 6, 1933.

As I See It ~ By Charles Benedict

Give Him a Chance

TO what extent is the fog of fear and uncertainty which hangs over every new suggestion by the President artificially created? —I should say about 90 per cent. Anyone reading the newspapers the Monday morning following the President's announcement of a broadening of the Government's gold buying policy to include the markets of the world was chilled to the marrow by the criticisms and dire predictions regarding the President's plan. Currently the President barely opens his mouth before a multitude of critics appear to know exactly what he is going to say and why it is all wrong. The difficulties of the present situation are greatly intensified when every measure is condemned before it has had even a pretense of a fair try-out. Criticizing is easy and, as is always the case, most of those who deprecate have demonstrated neither the capacity, the ability, nor the courage to act. With many, antagonistic criticism arises merely from an unwillingness to change ways to which they are accustomed, even though it is apparent that a change must come.

World Wide Photo

Making the "Gold Market" Address

After all, the institution of the United States is a gigantic corporation, the ramifications of which spread so far and wide that it affects not only our businesses but our social and economic life as well. And, as business men, we all know that we cannot secure results from any executive by continually throwing cold water on his plans and foreseeing the futility of every gesture. With the chief executive of the nation such practices are dangerous,—and the effect on the public state of mind is devastating. The resulting uncertainty and fear impedes constructive effort and progress. It must be plain to even a casual observer that we are going through an industrial and social revolution. Isn't it better judgment and sound common sense to accept the inevitable and bend every constructive thought we possess toward progress rather than waste our energies in static and destructive criticism?

We have heard much nonsense recently concerning the freedom of the press and the danger of its being muzzled. There is little on which to base any such fears, but there is much to support the view that the tendency toward violent criticism is again mistaking liberty for license. There is much to indicate that the only courageous leadership at the present time is being hampered in its efforts by ill-considered criticism. At the recent Economic Conference in London the unrestrained and belittling comment of the press placed us at a disadvantage and made our delegation look simple-minded and futile in the eyes of the world. The newspaper played directly into the hands of the European politicians, making it easy for them to charge us with all of the failures which the Conference experienced. A similar attitude menaces the efforts of the Administration today.

It is not contended that the Administration can do no wrong—any program of experimentation, as the current one is frankly admitted to be, is bound to be in error at times. The point is, that we have chosen the present Administration, given it authority, and must therefore stake our early recovery on its guidance.

There is a common failure to see the Recovery Plan in its broad aspects. Instead, criticism snipes at this phase or that phase, as though the success of the whole program hung on the latest development, whether it has to do with farm relief, gold purchasing, the N R A, public works, home loan financing or some other new phase of government activity. As a matter of fact, each of these is but a step in the general forward move.

True, some of these measures are broad departures from our older ideas, but neither the program as a whole nor any of its component plans are as radical as some would have us believe. Does anyone think that the Administration is really inimical to capitalism? Is it logical to assume that the President desires to supplant it with something radical when it is patent to him, as to any other thoughful observer, that the current shortcomings of the system may be laid to the frailties and abuses of those individuals who sought to dominate it? Is it likely that capitalism will be discarded when it is recognized as the American system on which all earlier prosperity has been built—when, as was demonstrated before the crash, it *can be* the means of distributing wealth and participation in industry on a happier and broader scale than has been possible anywhere else in the world? Reform capitalism? Yes. Rid it of abuses—restore its balance. But supplant it? No. The President

(*Please turn to page* 101)

Dollar Depreciation and the Market

How Long Before Inflationary Forces Take Hold?—The Wisest Investment Policy Today

By A. T. Miller

Fifteen Stocks Recommended for Purchase

Lake Shore Mines	International Harvester
American Smelting	Union Carbide
International Nickel	du Pont
National Steel	Allied Chemical
General Motors	Mathieson Alkali
Standard Oil of New Jersey	Ingersoll-Rand
Standard Oil of Indiana	Industrial Rayon
Continental Can	

At this writing the American public for a fortnight has displayed complete equanimity, if not indifference, while its Government has persistently bid up the paper dollar price of gold, first by offering daily advanced quotations for American-mined gold; second, by entering the world market as a purchaser. Coupled with the announced determination of the Roosevelt Administration to restore commodity prices to the 1926 level by one means or another, the present experiment can only be interpreted as an earnest endeavor to depreciate the dollar. In plain language: to reduce its purchasing power, so that more dollars will have to be paid for a bushel of wheat, a bale of cotton, an automobile or a suit of clothes. This would be equivalent, under the "rubber-dollar" theory with which the Administration is now experimenting, to a rise in commodity prices.

It need scarcely be said that this represents a radical departure from former monetary principles in this country. In combination with the spending of billions of dollars in emergency recovery experiments of one kind or another and a steadily mounting national debt, it constitutes a far more direct inflationary process than any of the potentially inflationary measures dangled before the public eye last spring and summer. Perhaps future students of monetary history will get excited about it when they read of it in the textbooks. We who are living through it go on calmly with our work and our golf.

In the current apathy of the stock market there is something of anomoly, when one remembers that only a few months ago the merest hint of inflationary possibilities was sufficient both to accelerate the flow of investment capital into equities and to produce an active speculation. It is true that the stimulus of rapidly expanding business activity, present during the spring and summer, is missing, but it was missing in August and September; for the peak of the first phase of recovery had been reached in mid-July, after which the industrial indexes began a swift decline; a decline, however, which appeared by the end of September to be flattening out. Up to mid-October the stock market responded to every flourish of the inflationary needle. The decline which then set in was due to no sudden change in the business picture. Its beginning coincided with, and was clearly caused by, the "sound money" interpretation generally placed upon the Government's Liberty Loan conversion program and its simultaneous offering to the public of $500,000,000 in long-term bonds.

Within less than two weeks of this apparent shift toward sound money, there came the definitely inflationary announcement of the present gold-buying policy—inflationary because the Government, possessing upward of 4 billions of the metal, does not need gold and is concerned only with controlling the price level. Between the Government's long-term financing and the monetary policy now embraced, we see no possible doubt that the latter is the more significant sign post.

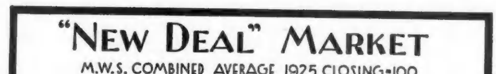
Thus far it has resulted in only moderate rally in the stock market, but it has served to check, and possibly to terminate, the reaction previously in progress. It has brought no semblance of a rush of public speculation. Trading, accordingly, has been left largely in professional hands and is proceeding in desultory fashion. Recent volume has only slightly exceeded 1,000,000 shares a day. In this quiet market industrial stocks, especially shares of companies having a more or less direct tie-in with commodities, have shown much greater strength than other groups, thus conforming to the pattern of movement previously indicated as probable in these articles. The railroad and public utility stocks, less suitable vehicles for the protection of capital against dollar depreciation, have done little to reverse the neutral or negative indications previously shown.

While the lack of public speculative interest is one reason for caution or inactivity on the part of the professional element, there is another, and perhaps more influential, reason. Not the least of the contradictions with which Washington is puzzling the country is the

recent action of the Administration in shaking its finger at speculators in general and in hinting at coming Federal regulation of markets. Some degree of regulation appears probable, but it is significant that the preliminary investigation has been undertaken by a committee appointed by President Roosevelt himself and composed of a majority of men who can not be considered either radical or unintelligent. The purpose, clearly, is not to leave so delicate a job to hasty or ill-considered Congressional legislation.

Reasonably free markets are indispensable to the workings of our economic system as it exists today. The recovery of the stock market last spring and summer was both the measure and advertisement of general revival. There is no reason to believe that the Administration would care to risk a degree of market regulation which would threaten major decline in security prices or which would seriously impede the restoration of normal security values. Such a restoration is of the utmost long-term importance in relation to the general purchasing power, the public psychology of confidence and the solvency of the banks, which number a huge total of collateral loans among their assets.

We are, therefore, inclined to believe that fears of Federal action along this line have been exaggerated. Moreover, while Washington may frown on speculators, the fact remains that Washington itself has supplied to an overwhelming degree the stimulus for the speculation of recent months. The tip that commodities would be hoisted back to the 1926 level and that monetary manipulation would be used if necessary to achieve this objective came from Washington, and not from Wall Street or LaSalle Street. Human nature being what it is and the ownership of private capital being not yet completely outlawed, it surely is not surprising that Washington's open invitation to buy stocks and commodities was enthusiastically accepted.



In the long run we do not see how the policy now being followed by the Federal Government can possibly fail to make commodities and sound industrial equities more attractive than dollars to the average speculator, or, for that matter, to informed investors.

President Roosevelt himself has said that the price-lifting program may take one year or two years or three years for consummation. Even if, in addition to the attempt to bring agricultural and industrial production under control, increasing emphasis be placed upon monetary manipulation it is conceivable that this also will take some time to "work." Unlike other countries which have gone through inflationary periods, this country has huge resources and enjoys a creditor position in the world. The Government holds firmly in its possession enough gold to serve as cover for any conceivably necessary issue of currency or volume of bank credit.

Even in Germany when a devaluation, which was to prove complete, began the public was slow to lose confidence in the money. The American public is likely to be much slower, both because our position inherently is so much stronger than was that of Germany and because America has no such familiarity with monetary tinkering as has Europe.

It is apparently the Administration's theory that a substantial reduction in the gold content of the dollar will *par se* lift commodity prices in proportion to that reduction. It is by no means certain that this theory is correct. The fact is that inflationary measures do not take hold until the general public begins to lose confidence in the currency, whereupon the velocity of money in passing from hand to hand rapidly increases under the urge to get rid of it by buying tangible things before it depreciates further. Regardless of the amount of currency outstanding and regardless of the gold backing, it is to be doubted that prices will rise in proportion to the monetary depreciation without this velocity of turnover dictated by public psychology. The present German mark, for example, has at times been backed by as little as 10 per cent of gold, without inflationary results.

The point is simply this: It is quite possible that a 50-per-cent revaluation of the dollar will fail to achieve the desired price level. If that is the case, is it not quite possible that the Administration will have to bow to the clamor of dissatisfied interests, notably the farming class, for a still greater depreciation? The question is of interest in view of the fact that as this is written a prominent national press service has just quoted an unnamed "high Administration source" as revealing that the President "would not hesitate to cut the dollar by two-thirds if that is necessary to restore prices." The only formality required would be to obtain from Congress in January an enlargement of the present power which the President has to reduce the gold content of the dollar within a maximum of 50 per cent. Such authority would hardly be refused.

The present "rubber-dollar" experiment is that long espoused by Prof. George F. Warren of Cornell University, one of President Roosevelt's leading advisors. Professor Warren has been recently quoted as predicting that a price of $36.17 per ounce for gold "would bring back recovery, quickly put men back to work, and quickly balance national budgets."

As we write this the announced price for gold is $32.57 an ounce, a rise of $11.90 over the statutory price of $20.67 per ounce. It would require a further advance of only $3.60 per ounce to attain the price which Professor Warren predicted would bring economic recovery. An increase of only a little more than 10 cents a day in the Government's bid for gold would set this price in one month. Yet there is no evidence that the recent advance in gold has yet been accompanied by proportionate advance in commodity prices. Indeed, the official index shows very little change.

Possibly one should be sufficiently optimistic to hope that if the experiment fails the Government will turn again to the sound money side of the road. The realistic observer, however, can hardly fail to hazard the conjecture

(*Please turn to page* 106)

How Good Is Uncle Sam's Credit?

What Resources—What Taxation Possibilities—What Borrowing Capacity Has the Government Before Inflation?

By JOHN C. CRESSWILL

UNCLE SAM twenty years ago was that unique thing among nations, a government without debt. The paltry billion of the nominal public debt of those days existed only because Treasury and financial world were worried for fear the debt might be totally extinguished. What, it was anxiously wondered, could financial institutions do without some measure of instruments of indebtedness based on the nearest approach to impregnable investment that the ingenuity of man could devise? For example, what would the country do for paper money if national bank notes disappeared along with the last remnants of the U. S. bonds by which they were secured so magnificently that nobody ever looked to see, or cared, whether such a note had been issued by a bank which had since become defunct?

Today Uncle Sam owes some twenty-three billions of dollars and has a letter of credit from Congress to run his obligations up to twenty-eight billions. The old fellow owes so much and his I.O.U.'s are still so well liked that his credit has crowded private credit out of bank portfolios. Nobody wants to lend to anyone but Uncle Sam in these times. It might be argued that one cause of the commercial credit drouth is that in parlous times Uncle Sam is considered the only "sound" borrower. The inevitable result is that Uncle has to lend his credit to his people—he indorses their borrowings, as it were, by issuing his own bonds and passing the proceeds along to his indigent nephews and nieces. The less the banks and the public like other securities the more of his own Uncle has to pass out.

What is the limit to his credit? Despite repudiation of the gold clause of public and private bonds, mortgages,

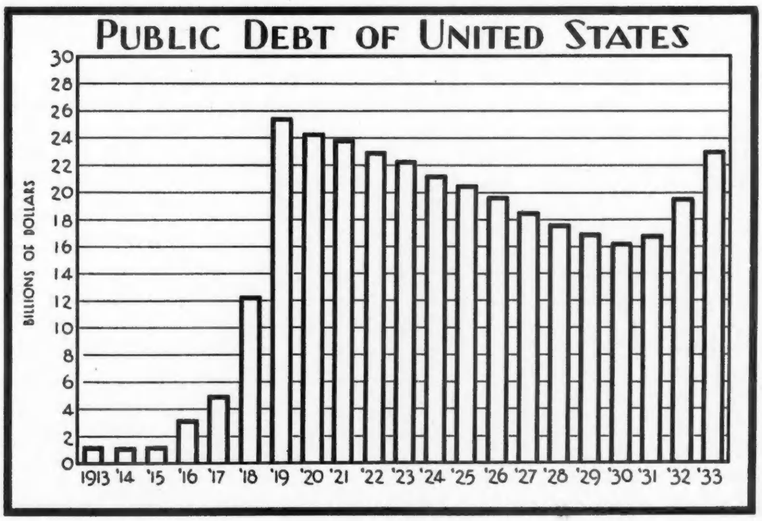
notes and contracts; despite the Government's determined efforts to cheapen the paper money in which they are redeemable, despite the threat of an issue of greenbacks, the most cautious lenders throw their money over the transom of the Treasury door whenever the Government calls for a little more pocket money.

Only the other day a 500-million-dollar issue of 10-year Government bonds was five times over-subscribed and a 2-billion-dollar conversion operation is in process with indications of successful completion. And, let it be noted, that the very banks and "money changers" who are being daily castigated under governmental sanction are as eager as anybody else to get the Government's promises to pay—even though it is certain that when their redemption comes they will be paid in legally devaluated money, to say nothing of what an issue of greenbacks might do to the purchasing power even of that money.

Outgo More Than Income

Yet the Federal Government spent about 230 million dollars more in the month of October than it received and at the end of that month it was about half a billion in the hole since the beginning of the fiscal year, July 1, and the deficit in twelve months had grown to 1,200 million dollars as measured by the growth of the public debt. Even excluding emergency expenditures, the Government was spending in October about 150 millions more a month than it was collecting, although for the first four months of the fiscal year its immersion in red ink was less than a hundred millions.

Still the fact remains that the long-sought budget balance has not yet been attained in practice. At the present rate of excess of normal expenditures over receipts the deficit for the whole fiscal year will be around 300 millions. This fact seems to worry nobody. The reasons is that while so far in the current fiscal year receipts are near double what they were in that period last year expenditures are approximately 200 billion less. The Federal financial house is being put in order, even if the goal has not yet been attained.



More than that, barring another breakdown of business worse than any that has been experienced in the tough years since 1929, a source of revenue is about to open up that makes it possible that this fiscal year will close with a balance. Beer is already yielding tribute at the rate of 250 millions a year, and when prohibition repeal becomes effective in December the total liquor revenue may approach a billion dollars. Even after the repeal of those temporary taxes which are ear-marked to pass out with prohibition, there is likelihood that there will be a margin for surplus or further tax reduction. That statement applies only to ordinary expenditures.

The extraordinary expenditures of the Government have been taken out of the worry picture by the fact that they are largely self-liquidating or are duly met by taxation provisions intended to cover both interest and amortization. Specifically, the 3,300 million dollars of public works expenditures are covered by special taxation provisions intended to yield 220 millions a year. Theoretically, at least, the 2,000 millions for home loan mortgage relief and a like sum for farm mortgage relief are not on the Government's books. The Government guarantees the interest but not the principal of bonds issued by governmental corporations for those purposes. So far the sums lent by the R.F.C. have been advanced by the Treasury to that agency, outside of the original appropriation of 500 million dollars, on deposit of its debentures. Whether R.F.C. disbursements of cash pass through the Treasury into government obligations or whether the debentures are directly negotiated they constitute an unqualified government obligation. But the whole R.F.C. venture is supposed to be self-liquidating. In the meantime it may tap the public credit for another billion. Even if we assume that the R.F.C. should eventually have to stand a loss of a billion and that the Government will write off the 4 billions of home and farm mortgages it is planning to take over—which is an utter absurdity—33 billions is about the sky-limit of the public debt under present legislative authorization.

The Limit of Debt

Such a debt would be seven billions more than the load we were carrying at the end of the World War, and twice the public debt in 1930. While it may be reckoned that additional appropriations by the next Congress may raise the debt of 35 billions, that may be taken as the limit for this decade unless the nature of our government entirely changes and we use it more and more as a vehicle of socialization. Even in that event we may look for heavier taxation rather than heavier debts.

As government debts go, thirty billions of dollars is not a liability that should impair the credit of the United States Government so long as the latter is capably administered. Right now it is costing the people of the United States something over 5,000 millions a year for governmental running expenses and the service of the debt, including amortization. That sum is probably 15 per cent of the total national income and 3 per cent of the national wealth as at present depreciated by the deflation of the recent years.

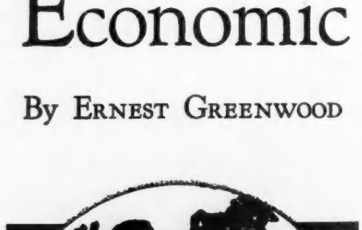
The credit of the United Kingdom is excellent but on a present national income of 15 billion dollars that country is supporting an annual budget of 4 billions (both figures converted from sterling at par). Which means that something over 26 cents of on the average of every dollar of income annually received by an inhabitant of the Kingdom

(*Please turn to page* 100)

World Economic Flashes

By Ernest Greenwood

Litvinov



When it was announced that Soviet Russia would be among those present at the recent World Economic Conference everybody said that her representatives were going to London only for the purpose of stirring up trouble and making things as difficult as possible for the capitalistic nations. Comrade Litvinov did nothing of the sort. The suave foreign minister confined himself to an effort to impress the delegates with the economic importance of early recognition of Russia and was so successful that most of them went home with the idea that this was one of the first things their governments should do. His clever work is now bearing fruit with recognition by the United States in the offing and other major nations may be expected to follow suit. He is entitled to a pat on the back by Mr. Stalin.

Naturally, pre-Soviet and post-Soviet debts will be discussed. President Roosevelt has naively suggested that we would like to slide down Russia's cellar door and play in the Soviet backyard. He is thinking, doubtless not only of Russian markets but of ways and means of doing a little practical bill collecting.

M. Litvinov told newspaper men in Berlin that it would not take him more than half an hour to conclude his business with the White House. This does not sound promising. It is too much to expect that he will promise to pay us the money owed by the former Russian government. The Czarist crowd incurred them and most of that crowd are quite dead. If Soviet Russia's representative should trade promises to pay these pre-Soviet debts in return for recognition he would have to do the same thing with every other nation and it is more than doubtful if this comes within his scheme of things. We may, however, get a new series of I O U's for post-Soviet debts.

* * *

Third International

It is most unfortunate that in approaching the government of Russia President Roosevelt cannot deal directly with the real head of the U S S R. The Communist Party is the real authority in Russia just as it is in the Third International and Stalin, who occupies a very minor titular position in the Russian Government, is, at the moment, the Communist Party. The Party will be no more bound by promises made by M. Litvinov on behalf of M. Kalinin than the Socialist or Communist Party of America would feel themselves bound by promises made by the Democratic Administration.

This, of course, brings into the picture Communist propaganda in this country which agitates Mr. William Green and a great many other people. The fourth point in the Communist Manifesto setting up the requirements for affiliation with the Third International to which the Communist Party in America and in every other country subscribes, reads: "The duty of spreading Communist ideas includes the special obligation to carry on a vigorous and systematic propaganda in the army. Where this agitation is forbidden by exceptional laws it *must be carried on illegally*. Renunciation of such activities would be the same as treason to revolutionary activity and would be incompatible with membership in the Third International." The Third International, like the Soviet Government of Russia, is under the control of the Communist Party of Russia.

Furthermore, some of us remember the "ordinance" issued by the Soviet Government about five weeks after it came into power and which was published in the *Gazette* of the Temporary Workers' and Peasants' Government December 13th, 1917. This ordinance assigned 2,000,000 roubles "for the needs of the revolutionary internationalist movement" the money to be used for "the assistance of the left internationalist wing of the workers' movement in all countries, entirely regardless of whether these countries are at war with Russia, or in alliance, or whether they retained their neutrality" and was placed "at the disposition of the foreign representatives of the Commissariat for Foreign Affairs."

* * *

Russian Purchases

In the meantime, the Administration at Washington seems to be arranging another petting party between the American taxpayer and the Russian Bear from which the former will probably walk home with his pocket-book badly mangled. Exchanging American dollars, even New Deal dollars, for Russian I O U's via the Reconstruction Finance Corporation is not a particularly attractive proposition even if those dollars are going to be spent to buy American cotton and other substantial products. We have already demonstrated the futility of lending money abroad to finance the sale of our goods.

* * *

French Gold

Four weeks ago it was suggested in this column that French statesmen were apprehensive over the possibility that gold francs might be seduced by Roosevelt paper dollars and that "the big, bad wolf" down in Washington wouldn't do right by "our Nell"—French gold. Now the vague fear that America might embark on a policy of buying gold francs with paper dollars is becoming a grim

reality and we are reading such head-lines over-topping the spot news as "France Fears Gold Drain Due to U. S. Buying," while the French press sees in such a possibility a grave danger to France's monetary stability and quotes one well-known commentator as saying that "our metallic reserve may seriously be undermined, especially if foreign capital acquires a tendency to follow this movement."

The chastity of the gold franc may be of the greatest importance to the French people but they will quickly sacrifice it and their adherence to the gold standard if necessary to keep gold from leaving the country at a time when they are convinced that the German menace once more confronts them. France, the leader of the gold bloc nations, may, at any moment, abandon the gold standard with the same casual gesture as that of the French Chamber of Deputies abandoning the Daladier government.

* * *

Hitler Loses

The tension between Germany and Austria remains at a fever pitch and reports from Rome suggest that Mussolini is in an outraged and, therefore ugly mood. He is quite liable to issue some sort of ukase outlining just what he agreed to do for Dollfuss. Reports of Nazi manifestations in the Italian Tyrol lend color to the idea that Austria might easily become a kind of Italian annex, with port privileges, rather than a parcel of a new Germany with no privileges. Herr Hitler seems to have lost out on his Austrian gamble whether he realizes it or not.

* * *

War?

And so the war drums of Europe are beating with a constantly increasing intensity, It has been hinted that Paul Boncour (he has been told that he resembles Robespierre but French cartoonists frequently label him "Robespierrot") agreed with Sir John Simon (sometimes called "Saint John") to reduce the French Army to 200,000 men and the period of military service from one year to six or eight months on condition that Germany abolish the Reichswehr and reduce its total armed strength to 200,000 men. Before the fall of the Daladier government it was strongly on the cards that his regime would be informed just what would be and what would not be allowed when it comes to trifling with the French Army. I am informed on good authority that the French Commander-in-Chief, General Weygand, is far more disposed than otherwise toward the clamour now arising that Nazi propaganda across frontiers of the Reich must cease, and is prepared to issue a premptory command to that effect. He may very well feel that in the interests of France it may be more advisable to strike immediately rather than wait when Germany is ready. A pretext could easily be found in the Treaty of Versailles.

* * *

Reichsbank

Before the inflationists in Congress get together for the purpose of preparing their plans for the next session it is earnestly recommended that they study the modification of the statute governing the Reichsbank as announced to the Bank of International Settlements by Dr. Schacht, its president.

This "maddest and most dangerous of financial experiments," as it has been described, will give Germany, once more, an unlimited amount of paper currency by the simple expedient of permitting it to use all classes of government securities—municipal, county, state or national, as we would say—as coverage for this currency to be issued by the Reichsbank as the central bank of issue. It can finance loans granted on government bonds or buy unlimited quantities of them with the product of its printing presses.

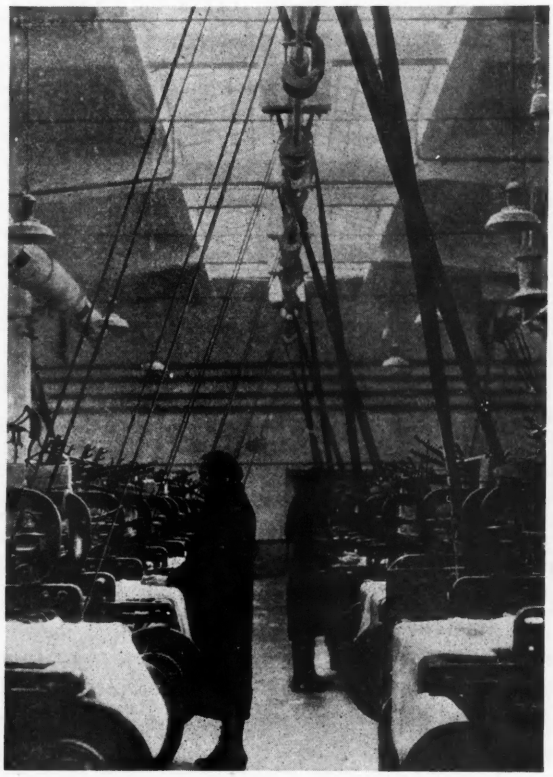
Thus, by means of a "financial comedy of errors" Dr. Schacht and his bank will finance the German Government, the Nationalist Party and the Hitlerites—they are one and the same thing—for any and all of their political ends by the very simple experience of buying up the necessary bond issues or accepting them as collateral and handing out a currency that has been inflated to what the mathematicians call the "nth power."

Can Germany finance a war? Naturally.

* * *

Debts and Tariffs

A new factor has been introduced into world tariffs and international indebtedness. The recent action of Brazil in freezing all French credits in that country is of far greater world significance than the superficial relationship between those countries. "Either let down the tariff barriers to our goods," says Brazil, "or do not expect any payments on the account of our debts to you." The triple duties on Brazilian goods which France has imposed, particularly that on coffee amounting to 60 cents or 70 cents a pound (United States currency) are thus placed under a very specific attack. If France gives way in order to safeguard her creditor position, it will mark a new attitude toward nationalism and its attendant trade barriers, and will emphasize the close and practical relationship between debt payment and international trade.



Courtesy "USSR in Construction"

Weaving Department in a Soviet Textile Mill— Where American Cotton May be Used

Can Prices Be Lifted By Federal Gold Operations?

Foreign and Domestic Repercussions from Uncle Sam's New Command of World Gold Markets

By THEODORE M. KNAPPEN

IN the past it has been an economic axiom that commodity prices vary directly with the price or quantity of gold. It has been assumed that if the gold monetary standard unit were cut in two prices would double, or that if the world supply of gold were doubled prices would double. This theory certainly has ample historical defense, although it has been honored in the breach of recent years. The output of gold declined relatively to business expansion during the decade 1920-30, but prices of commodities were remarkably stable (although with a declining slant) after the readjustment following the depression of 1920-21. Since 1929 there has been a marked increase in gold production, whereas prices have fallen spectacularly until this year. These episodes are waved aside by the gold-price economists as abnormal and explicable as exceptions to the rule.

President Roosevelt, deeply impressed by this gold philosophy of prices, was finally convinced on Sunday, October 22, that it was barely possible to raise domestic price levels by government buying of only fresh-mined American gold at cumulative prices. This conviction seems to have arisen from the supposition of his advisers, notably Prof. Warren, that the psychological effect of the spectacle of the Government of the United States deliberately "bearing" its own currency would be inflationary of the latter.

Commodity and security markets, taken by surprise and bewildered, did blindly respond with upward prices to the first day's gold price fixing. After that they became indifferent. Four days of the experiment saw domestic prices virtually unchanged, the dollar higher abroad than it was in the beginning and the London free gold market price of gold utterly indifferent to the American official price. While four days experimentation might be considered too brief a period for a firm conclusion, the opinion of bankers, economists and traders was almost unanimous that domestic price-fixing of gold had been demonstrated to be a failure as a price regulator. At the moment of writing the pound stands at $4.77 whereas the American official price of $32.12 for gold corresponds to $4.89.

So, one week after gold buying at advancing prices, arbitrarily fixed, had been determined upon as a means of depressing the value of the dollar, it was decided to extend the policy to foreign gold buying. As this is written the new phase of experimentation has only begun, with a reported minor purchase from the Bank of France, but opinion is almost unanimous that it will—if persisted in—succeed in raising the world price of gold measured in dollars, and that this cheapening of the dollar will be followed by rising paper dollar commodity prices in the United States. That, of course, is what the President is after. The Warren theory is that if gold sharply appreciates in price, basic commodity prices will rise abruptly and other prices slowly; resulting in a convergence of raw material and finished goods prices toward an exchange parity.

It is always possible that something may happen or be planned to offset dollar manipulation. England, for example, may sell the pound sterling and buy dollars in order to bear the pound. Indeed, it is hinted that she has already done that effectively. She may spurn the pound as much as we may spurn the dollar. She may send the pound down as rapidly as we depress the dollar.

According to the London Herald, the British and French governments were quick to neutralize American gold buying, even in its first stage of domestic purchases only. That paper declares that even as the United States offered to buy gold at home England and France bought dollars in London, thus offsetting by selling pressure the lifting effect of U. S. buying. Whether this be true or not, it gives point to the prospect that other nations will attempt to defeat an American gold buying program in an endeavor to defend their own currencies and trade positions. On the other hand, possibly the best indication that it is a good and practicable program for us is the unanimous condemnation it meets in Europe.

England can hardly be expected to abandon the trade advantage or at least equality of opportunity that a dollar dearer than the pound, or on par with it in terms of gold, gives to her. The longer she can maintain a pound relatively depreciated in exchange terms of other currencies the better for her; exports will be helped and imports checked. At the same time, she seems to wish no rise in domestic prices. But our policy runs counter to British policy, for it tends not only to cheapen the dollar at home but to cheapen all currencies with reference to gold. To buy gold in London we shall have to (*Please turn to page* 99)

What Third-Quarter Reports Indicate for Stock Prices

Modifications of Investment Policy Suggested

By Glen Price Manton

THIRD quarter reports from leading companies are of unusual importance. They showed the ability of various enterprises to recover earning power rapidly under the improving conditions which obtained during the summer months and, because of this, they serve in an important degree as a practical yardstick by which current stock prices may be measured.

With epoch-making experiments in money and prices underway, with complaints heard on all sides of rising costs, buyers' resistance and declining business, it is in the interest of every investor to examine current earnings and to investigate the prospect for their continuance, improvement or decline.

Sufficient statements have now been announced to form a general picture of most industries. In the main they give a distinct impression of improvement. True, there are not many of phenomenal excellence and not a few companies are still losing money at an alarming rate. But in the main, as has been said, they give a generally favorable impression and afford a clue of what may be expected in the way of profits in the event that general activity is extended. Unfortunately, this level of third quarter business is not the case at present. Recession has taken place and very properly gives rise to the question of whether current security prices are not being based more on future than on currently demonstrated earning power. Indeed, this might certainly be charged were it not for the factor of possible currency inflation and the general uncertainty as to the future of the dollar's purchasing power. For the purpose of this study, however, let us reserve the inflation factor for consideration in fixing a general investment policy and examine earning power for the determination of specific selections.

Classification

It is interesting to make a rough classification of the various industries according to the third quarter reports which have been published. Companies fall apparently into four general groups (1) those that have registered great improvement (2) those that have registered moderate improvement (3) those in which little or no improvement is perceptible and (4) those whose showing, whether good or bad, was owing to some exceptional circumstance.

The chemical industry in the broadest sense is definitely of the first group. Reports from the diversified chemicals, explosives, sulphurs, alcohols and rayons, all show great improvement. Of the chemicals, it may be said that they are the section of industry which most clearly is still in the stage of dynamic growth and, being in this position, it is hardly surprising that they have been the quickest to prevail over the sinister influences of depression. To some extent, this applies also to the business equipments and here, too, third quarter earnings have made a gratifying showing.

There are, however, certain other industries of the first group, namely, those that did well in the third quarter, which cannot be said to be in the dynamic stage of development. They are the industries which fortune has selected for exceptionally good treatment in this particular year, or in this particular three months' period. Motors are perhaps the best example. Here, the deferred demand was very large. There had been a number of especially poor years. Suddenly, the turn for the better in general business, fear that car prices would shortly be higher, coupled with the general feeling of greater hopefulness, carried a large part of this deferred demand into the effective category. Consequently, 1933 will go down in history as a fairly good year for the manufacturer of automobiles—at least for those making low-priced models. But, although they may have another fairly good year in 1934, nothing has occurred to alter the widely-held conviction that the automobile is no longer in the dynamic stage of development. There will be little trouble encountered in discovering other industries and other companies which also can be classed with automobiles in having had an exceptionally good year.

Other Groups

The second group, or those that registered moderate improvement, contains a large proportion of the more-or-less stable industries manufacturing food or other products in everyday use. In this section, the improvement was not the result of any marked increase in consumer demand. It was more the result of better price conditions—smaller write-offs for lower inventory values and bad debts—perhaps the restocking of nearly empty dealer shelves may have had a bearing on the matter.

The third, or still depressed group, contains a number of widely diverse industries. There is, for example, building and all the various divisions which cater to it, a section still paying for the excessive construction of the boom years and struggling at the moment to surmount the tremendous barrier of currency uncertainty. Although they do not appear in the accompanying table for the reason that representative companies fail to report quarterly, there may be included in this section also, such industries as coal, copper, fertilizers and paper.

The fourth, and final group, consists of industries to which individual consideration must be given, for it is to circumstances affecting them and them alone that they

owe their present position. The first and most obvious example is gold mining. This industry is currently booming because the world has elected to precipitate itself into a period of currency chaos. Individuals and nations are scrambling for the metal with a frenzy which would do credit to a more deserving cause. But so long as this mad scramble from paper currencies into gold and from commodities of all kinds into gold continues, the gold mining companies may be expected to enjoy a time of unprecedented prosperity. Within the boundaries of the United States, the gold situation has developed a greater artificiality and, temporarily at least, a brighter prospect than anywhere else in the world. Who knows what the Reconstruction Finance Corp. may elect to pay for domestically mined gold—or even foreign gold for that matter—a week from now, or a month from now . . . and who knows when it may elect suddenly to drop its bid drastically and with horrific effects upon the producers of the metal? It is possibly worth remembering that this Administration cares no more for a miner of gold than it cares for a miner of coal or copper or some other metal. It just happens at the moment to be following a policy which is extremely advantageous to the gold miner in the hope that it will help other miners and business in general, but there is no reason to believe that the former will continue for ever to be singled out for more than his share of Washington's bounty.

The oil industry is another important industry which hardly lends itself to classification on the strength of recent reports. Here is a business, which in the period of its greatest growth threw away its opportunities. The demand for petroleum products relatively has resisted depression exceedingly well. Yet, because of over-production, over-expansion, and cut-throat competition oil has been one of the worst sufferers in the past few years. Now, it is under the control of the Federal Government and overshadowing all considerations of past and present earning power there are two questions (1) can the Government exercise effective control (2) if it can, will it so exercise control as to permit of oil company profits, or will it cut the possibility of stockholders' return to a minimum?

Frankly, at the moment, it does not appear that definite answers can be given to these questions one way or another. All one can say is that previous to this development the oil industry was in a chaotic state and now that there is, at least, a prospect of control, the outlook has been much improved. An extensive analysis of Standard Oil of New Jersey will be found elsewhere in this issue.

Turning again to consideration of the third quarter reports in the accompanying table let us see whether they can be induced to act as a guide to future investment policies. It would, of course, be hazardous to use them exclusively, for the reason that no three months' period is necessarily representative of a company's earning power. Nevertheless, these reports when carefully fitted to their background may be of considerable value.

Some mention has already been made of the chemicals. Their showing was no flash-in-the-pan and anyone contemplating the purchase of common stocks would be well advised to give great consideration to this group. In many respects it comes closest to the ideal. In the first place no business improvement of importance can take place in any part of the country, or in any one industry, without the chemicals receiving a favorable and substantial backwash. Secondly, the industry in the development of new products and processes tends to offset the slackening demand in any old-established line. Thirdly, and this is a particularly important point at the present time, the chemical industry is much less vulnerable than most to labor trouble, or labor costs such as those induced by the N R A.

Currently, of course, the chemicals are feeling to some extent the slackening in general business activity. Also, there has been some price weakness in certain lines. This, however, hardly affects the long-term outlook and the position of the chemicals as protection against whatever may befall the currency and the adverse possibilities of the Government further favoring Labor at the expense of Capital. There are quite a number of companies from which the investor may make a selection. The three big ones, Allied Chemical, du Pont and Union Carbide & Carbon are all strong financially and all enjoy an excellent trade position. The respective fields of these three companies are not, of course, the same. Allied confines itself to heavy industrial chemicals, acids, alkalis, salts, certain coal-tar products and dyestuffs. While du Pont competes with some of these lines, its production on the whole falls into a "lighter" category — solvents of all kinds, paints and explosives. In addition, this company manufactures a great number of diverse specialty products, of which cellophane and fabrikoid are possibly the best

Among the Important Companies Reporting for Quarter Ending September 30, 1933

Company	Earned Per Share 1933	Earned Per Share 1932	Current Price
Air Reduction	$1.23	$0.50	99
Allis-Chalmers	L382	L544	16
American Chicle	1.03	.90	44
American Tel. & Tel.	1.88	1.90	111
Anaconda Wire & Cable	.35	L373	8
Atlantic Refining	2.12	.39	29
Atlas Powder	.74	nil	22
Beech-Nut Packing	1.12	1.04	57
Bethlehem Steel	L283	L5426	29
Bon Ami "A"	1.40	1.37	....
Borg-Warner	.51	L468	15
Brooklyn Edison	1.71	1.77	....
Chrysler	1.67	L5346	40
Coca-Cola	2.67	2.16	98
Commercial Credit	.57	.03	14
Commercial Solvents	.24	.12	33
Commonwealth Edison	.58	.75	39
Con. Gas of New York	.34	.38	38
Continental Oil	.62	.07	17
Corn Products	.98	.74	72
du Pont	.95	.36	76
Electric Auto-Lite	.53	.31	14
General Electric	.08	.07	18
General Motors	.72	L4464	27
Hercules Powder	1.12	.09	51
Industrial Rayon	2.86	L96	70
International Cement	.05	L519	30
Johns-Manville	.42	L278	50
Jones & Laughlin	L997	L1683	....
Libbey-Owens-Ford	.59	L487	28
Loose-Wiles Biscuit	.74	.23	38
Mathieson Alkali	.60	.13	38
McIntyre Porcupine	1.20	.71	44
Monsanto Chemical	1.57	.47	65
National Biscuit	.59	.55	41
National Steel	.35	.07	38
New England Tel. & Tel.	1.55	1.50	87
Penick & Ford	.88	.72	53
Peoples Gas Lt. & Coke	L152	.57	28
Pullman	.09	L68	43
Standard Brands	.28	.24	24
Texas Gulf Sulphur	1.03	.56	38
Underwood-Elliot-Fisher	.73	L306	25
Union Carbide & Carbon	.51	.22	39
United Aircraft	.25	.28	29
U. S. Steel	L2717	L20872	38
Westinghouse Air Brake	L236	.13	24
Westinghouse Electric	L1514	L2715	33
Wrigley, Jr. Co	1.03	.86	52

L Net loss in thousands of dollars.

known. Also, it should be noted that the purchaser of du Pont virtually obtains with his investment 9/10 of a share of General Motors with each share of the chemical company. Union Carbide's field, while completely different to that of Allied Chemical, overlaps du Pont's to some extent, just as the latter overlaps Allied in some respects. Union Carbide manufactures carbon products of all kinds, alcohols and solvents, produces various gases and a quantity of mechanical apparatus, and is an important factor in the metal alloy field.

Present Position of Industries

Prospects of dynamic Expansion	Prospects of moderate improvement	Prospects of slow or little recovery
Alcohol	Automobiles	Agricultural Implements
Alloys	Drugs	Building
Aluminum	Electrical Equipment	Coal
Aviation	Food Products	Copper
Chemicals	Lead	Cotton Textiles
Gold	Machinery	Fertilizers
Nickel	Packing	Motion Pictures
Oil	Railroads	Paper
Rayon	Railroad Equipment	Steel and Iron
	Shoes	Sugar
	Tires	
	Tobacco	
	Utilities	
	Wool & Woolen Goods	

Some of the smaller chemical companies are also worthy of consideration. Among these is Monsanto Chemical, largest maker of fine chemicals and important manufacturer of the heavy variety, which reported for the third quarter of this year the best earnings of its history; Hercules Powder, which is much less of an explosive company than a general chemical company, and which lately has been an important beneficiary of the current activity in the rayon industry; Commercial Solvents, whose latest earnings have registered much improvement and which hopes to derive a still greater degree of prosperity from the legalization of liquor; and finally Atlas Powder, whose business actually is, in the main, explosives.

Whether rayon is a chemical or a textile is, perhaps, a matter of some debate. In any event, here is another section of industry which is clearly in a period of dynamic growth. Demand for the product is increasing by leaps and bounds and the industry has been operating at capacity for quite a time. Although considerable speculative risk obviously attaches to any new industry, Industrial Rayon and Celanese are two companies deserving of scrutiny. Both are covered more extensively elsewhere in this issue.

Other Dynamic Industries

Among other industries fundamentally dynamic may be mentioned aviation, steel alloys, nickel and the light metals. The first of these is currently suffering from the action of the Government in reducing air-mail payments and whether aviation's obviously great future is fulfilled promptly, or whether it is to be slow in developing, depends upon the future action of the Government in regard to these payments. They are the backbone of the business. The fortunes of alloy steels will rise and fall largely with general industrial activity, and the same may be said of nickel and the light metals. Currently, the near-term outlook is less bright than the more distant future.

Industries which are temporarily dynamic, but whose growth and prosperity over a number of years can be less clearly foreseen, would include gold, and the liquors and alcohols. The first of these we have discussed and may sum up by saying that while this field offers some prospects of great profits for the near future, there is considerable uncertainty as to whether they can be sustained over the long term. Homestake Mining, in this country, and Lake Shore in Canada are representative of the better properties. Alcohols and liquors, of course, are currently in a favorable position and there is every prospect of their enjoying a high degree of prosperity for a year or two. But there is also every prospect that this high degree of prosperity will induce—as it has done to a considerable extent already—so much new capital to enter the field that it will not be long before competitive conditions become quite severe. Of the alcohol and liquor stocks it can certainly be said that they are not among issues that can be put away and forgotten.

From the dynamic industries and the companies comprising them, we turn now to the second group, or those whose earnings for the third quarter registered moderate improvement, and of which little more than further moderate betterment is a reasonable expectation for the future. These are the stable industries, catering to the everyday wants of the people—the foods, the shoes, the drugs, the tobaccos and snuffs. Also fundamentally in this class, although they fail temporarily to conform to the "moderate improvement in earnings" provision, are the rails, the utilities and the automobiles. At the present time, the rails are still depressed, although some improvement has been registered, and further moderate gains is a reasonable expectation; the utilities are being depressed—harshly, by political agitation, and are currently "batting below their average"; while the automobiles, owing to the factor of deferred demand, have recently "batted above their average." None of these industries appear to offer the investor anything which he could not duplicate to better advantage elsewhere. The rails and the utilities, in addition to being the unfortunate recipients of the greatest degree of political interference, are, generally speaking, unsatisfactory holdings in a time of currency uncertainty. As for the automobiles, there are obvious dangers in committing oneself to any industry which is doing better than can reasonably be expected of it over the longer term.

Stable Businesses

In the industries which are conforming to pattern, however, there are a large number of companies which undoubtedly have much to offer the investor. It is to this field that the man, who usually buys bonds and who now believes that some other course is advisable, will turn. Here, will be found stability of earning power and a reasonable return on the capital invested. Should the Government's plans to depreciate the purchasing power of the dollar be successful, this field offers at least some degree of protection. At the same time, it is not devoid of future possibilities. From what companies, shall a specific selection be made?

(*Please turn to page* 105)

Sanity Reaches the Movies

The Old Days of Reckless Extravagance Are On the Wane and Rehabilitation of the Industry Is Under Way

By C. F. Morgan

CONSIDERABLE film has spun through the nation's theaters since last we discussed the madness of the movies in these columns, endeavoring to indicate in some measure where the cinema troubles lay and what should be done to eradicate, or at least ameliorate, them. That part of our thesis which dwelt with some animadversions upon the swollen salaries of those who produced the pictures has lately received more than a little attention from the National Recovery Administration, and it is a comfortable thought that the N R A folk feel much as we felt about it, that the film stockholder deserves a semblance of a break, at least, and apparently propose to make some effort to see he gets it—introducing reason into emolument.

Photos from Metro-Goldwyn-Mayer

A Scene from "Eskimo," Filmed Entirely in Alaska

Conditions Begin to Improve

Whether or not during the recovery period the motion picture may be regarded as a logical field for the investor will depend to a great extent on what the industry shall be able to accomplish in the next few months. As the situation now stands it is hardly debatable that the public is averting its eyes and crossing to the other side of the street when the movie stocks beckon. The sum total of film security trading on the exchanges of the country cannot be regarded as an encouraging portent of what the picture companies hope for.

Bankruptcy threatened the film business months ago, and while that specter has not been exorcised completely, it at least has lost considerable of its menace. About the time it seemed a wholesale crash was inevitable, the luck that has always been in attendance on the flickermills began to make friendly overtures. Reorganizations were discussed, outlined, proposed, and in one or two instances actually begun. The cost of picture making in the studios began to drop; the larger companies set about divesting themselves of the theaters they took on in the heyday of their hysteria; so-called executives were shuffled or dropped; some of the more absurd salaries and bonuses waned; fewer productions came out of the mills; theater prices dropped far enough to encourage the public and something closer to sanity prevailed. Better pictures began to come forth.

For a year or more the pressing problem has been how to continue production and pay the costs. Not two of ten companies had use for anything but red ink. None made money; most were content to be able to scratch up the cash for the weekly payroll. As a fact, any other business in like situation would have slid overboard with a series of dull gurglings. Only the fact that the picture business is a strictly cash business saved it. Then, dire necessity and sheer terror evolved better methods. But—

Reorganization—ruthless, unsparing reorganization is needed. The industry is waterlogged with funded and unfunded debt; it is clogged with overcapitalization; it is hamstrung by inefficiency of the most aggravating kind; hagridden by nepotism. Let us look at the financial structure of the business for a moment. The accompanying table is not to be regarded as accurate to the pinched penny; it is and can be merely approximate, but an approximation that will serve for a cursory analysis, for no two companies use the same accounting system. By the time this sees print the most progressive companies may have done something to squeeze out the water that has super-soaked them.

Slow Capital Turnover

Any business that can't turn its capital faster than once in three years is unlikely to do much for its stockholders. For the period since 1925 the rate has been little better than that in any one year. There were boom days in 1924-5. Almost anything that went on a screen made some money. Today few of the three hundred features that are ground out annually make any money. Extravagance was rife and still prevails despite the current pressure on high salaries. One executive is accused of drawing better than $800,000 a year and has never denied it, probably because the amount was more rather than less. Half million a year doles were common; the genius pulling less than $250,000 a year felt

Comparative Financial Status of the Motion Picture Industry

	1925	1932
Capital	$75,000,000	$375,000,000
Fixed Assets	30,000,000	450,000,000
Debt	15,000,000	380,000,000
Income	137,000,000	190,000,000

ashamed and approached the Malibu pinochle games rather bashfully, feeling he might not be wanted in select company. Banks loaned money easily, and where they did not feel like putting up their own cash for short-term obligations, suggested that the public was in a buying mood. The result was that the public was coaxed to absorb about $300,000,000 in picture stocks in four years. Put another way, the picture capital was quintupled in that period.

Unkind critics have referred unfeelingly to copious watering. But extra capitalization wasn't enough. When sound came along and a lot of additional cash was required, the companies gaily went out with a market basket filled with bonds; when the bonds didn't sell quickly enough, notes were tossed to the banks. The debt of the movies leaped in four years *twenty-five hundred per cent.* Of course, the assets increased, but they didn't increase as fast as the debt. They moved up from $30,000,000 to an *estimated* $450,000,000—on paper. But the fixed assets at forced sale would be a different story. Astute financiers paled a little when they looked at the state of the country and tried to envision a market for those fixed assets. They suspected that the assets weren't fixed and that fixations were not all assets. What other use could be made of a $200,000 sound stage situated on a piece of Hollywood hinterland, and into what could be converted a 5,000 seat theater in a 50,000 population town where six or seven small houses operated? For what price could one sell a hundred acres of studio land on the outskirts when no one wanted two square blocks of the old Paramount lot in the heart of Hollywood?

On the very modest estimate of 5 per cent, that $380,000,000 debt requires close to $20,000,000 annually for interest. The total profits of all the American companies in existence in 1933 probably won't reach a quarter of that—and only a rank optimist would go that far. Stockholders are a second consideration, for they can vision dividends only out of net income. Even in the glamorous days the greatly esteemed bonus came in between the stockholder and the net income. Bonus to whom? To the executive for being around when the auditor announced the figures; to the star for consenting to sign another contract at a higher figure; to the director for spending more money than anyone thought he could. Exaggeration? Hardly. I recall one case where a male star was invited to sign up for another five years at a higher figure. Tom had been getting $6,000 a week and was being hitched up to $7,500. He hesitated. Frances was a little doubtful if he should sign. She felt they should have a new house and Tom might do better. He had sort of half promised Parafox to—President Adelbert hurried forward. "We give Frances a check for $100,000 toward the new house," he offered. Tom signed, sighed and took the bonus.

Holders of close to $500,000,000 in stock are anxious about two things; first, safety of their investment; second, possibility of dividends. Investors who have studied the film situation wonder if there is ever likelihood that the business will be able to meet the interest on the funded and unfunded debt and find dividends on the present capital. Those familiar with world markets, who have observed the rise of the British film industry, the increasing Japanese, East Indian, German and Italian production, believe payment of debt interest and dividends impossible. They say reduction of capitalization is the first step.

To what extent can capitalization be reduced? Fox is said to have just effected a reduction, turning over one share of new stock for six shares of the old. A substantial write-off of part of the short-term obligations has also been arranged. Paramount is said to be about to effect, with consent of stockholders, a sale at auction of its entire structure with intent to buy it in at about the amount of the 1924 capitalization—which would possibly parallel the Fox reported reduction. RKO is understood to be working out a new reorganization deal through Irving Trust Co.

But there are other features of the business needing correction. Distribution costs have been exorbitant. Thirty-five per cent was not unusual. They can and should be 10 per cent. Several years ago American Express offered to take over distribution, give better and faster service and charge 10 per cent. The job can be done at that figure, and eventually it must, for it must be remembered that films are rented and not sold to the exhibitor, and even 10 per cent is a high cost for running a rental business. Theaters have cost too much, and there have been too many. The country is seated for 10,000,000. Since a fair average is about 2½ shows per day per theater, that seating capacity can ac-

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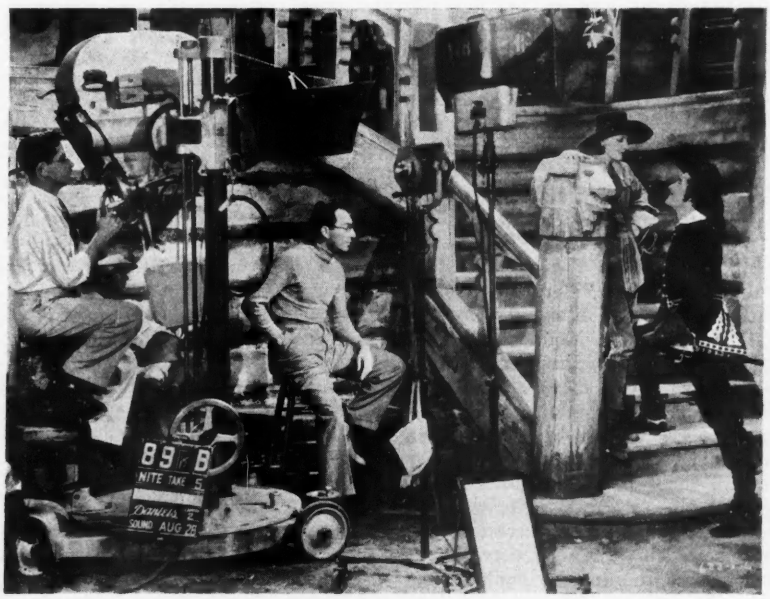
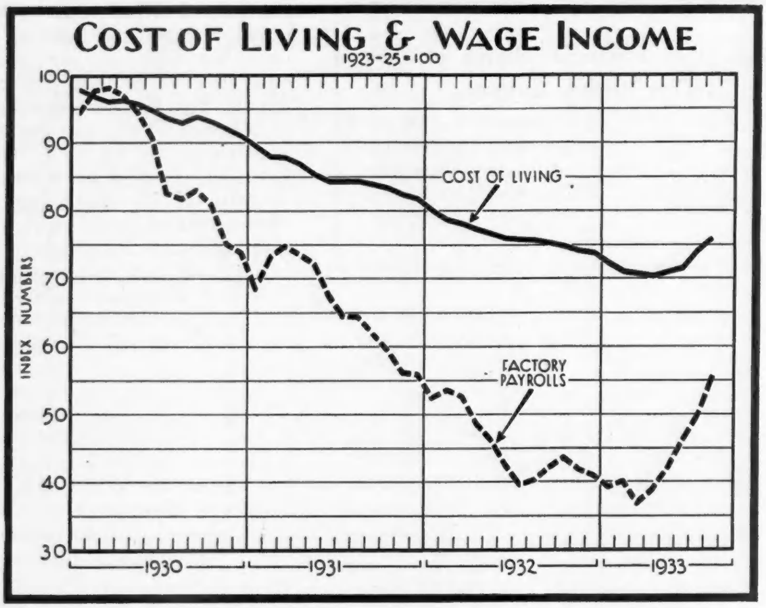


Filming a Scene from "Queen Christina"



Things To Think About

The Cost of Living

TO the average individual prosperity probably can be best defined as the condition existing when income is in approximate adjustment with the cost of living on a reasonably comfortable standard. How far we have departed from this condition is simply and strikingly shown by the accompanying chart comparing total factory payrolls with the cost of living since the end of 1929. Depression's severe pinch began to be felt in the late spring of 1930. Thereafter factory payrolls dropped much faster than did the cost of living. The gap shown between the two lines at the middle of 1932 and again in March of this year in statistical language paints the wolf at the door and howling in no uncertain fashion. Fortunately, the initial phase of economic recovery narrowed this gap considerably, for payrolls from March through July advanced much faster than did the cost of living. Unfortunately, this rate of gain has not been maintained since July. Payrolls increased during August and September but could not out-pace the accompanying rise in living costs. It will probably be found, when the figures come in, that payrolls turned downward in October, without a corresponding decline in living costs, again putting Johnny Consumer on the spot. The program of the Federal Administration in seeking to put average commodity prices up to the 1926 level will be economically and politically successful only if it results in a reasonably close balance between the average individual income and the cost of living. Commodity prices, however, are not the only factor in living costs. It is to be doubted that the achievement of 1926 prices would restore the 1926 living costs. Rents will hardly go back to old heights and distributing costs in industry and business would probably remain under the 1926 level.

* * *

Penalizing Efficiency

If present agitation on the part of certain bituminous coal interests may be taken at face value, it is probable that Congress in its next session will be asked to impose an "equalization tax" on natural gas in order to control and limit its growing competition with coal. This would be "New Deal" economics with a vengeance. It would tend to protect the capital invested in the bituminous coal business and, in consequence, the thousands of miners who eke out a bare existance in bituminous coal fields. On the other hand, it would penalize the large and growing capital invested in natural gas facilities and, in consequence, all of those employed in this industry. These pros and cons, however, do not take the consumer into consideration. If natural gas is a cheaper and more efficient fuel for a given purpose than coal, is not the consumer entitled to the benefit? We think he is. Moreover, the economic principle involved is both unsound and opposed, in the long run, to the national welfare. Suppose the automobile had been taxed to save the horse and buggy! Industrial evolution is temporarily painful, but inexorable. Far more workers make automobiles than ever made buggies. Who knows but what the natural gas industry of the future and the industries to which it supplies cheap power may employ more workers than lose their jobs in the coal mines?

* * *

What Is to Blame?

In the 1933 picture of economic recovery something is missing which was always present in past periods of revival. That "something" is normal expansion in the capital goods industries and a normal flow of new corporate financing. The two missing links are directly related, for it is savings, rather than bank credit or current income, that normally go into long-term capital investment such as is needed to stimulate construction and other "heavy" industries. Today the stream of new corporate financing has dwindled to a tiny trickle. Excluding refunding operations, offerings of corporate securities for public subscription during the first half of this year totalled only $75,000,000. This compares with nearly $5,000,000,000 during the first half of 1929 and with a half-year average of about $2,000,000,000 for the more "normal" years 1923-1925. In some quarters there is a tendency to blame the restrictive influence of the Federal Securities Act for the prevailing condition of stagnation in the long-term capital market. That is a factor, but probably a minor one. Under this Act the most speculative of securities may be sold to the public,

provided the true character of the security is not misrepresented by the seller. The trouble with the capital market is deeper. It can not possibly be restored to normal until abnormal monetary uncertainties are dissipated, and that may take some time. Moreover, with a slackening rate of population growth in this country, it is open to question whether we may not have to accept in future a new conception of what is "normal" capital expansion. Admitting the social need for modernized individual residences, do we need much building of apartment houses, factories and office structures? Perhaps, when the dollar is stabilized, "normal" annual financing will prove to be $2,000,000,000 instead of $4,000,000,000. That would not restore the heavy industries to the old "normal" but the new "normal" would compare very favorably with the present stagnation and possibly would employ 2,000,000 to 3,000,000 of the present unemployed.

* * *

Return on Capital

Among those who agitate for a redistribution of wealth and income in this country there is undoubtedly a widespread illusion as to the profits earned year in and year out by business and industry. Many instances can be pointed out of fat returns on invested capital during the prosperous years 1925-1929. Such examples, however, are imperfect in two respects. First, over a period of time the high earnings of good years are offset by the losses or reduced earnings of bad years. Second, even in good years the fattest profits are exceptional, failing to be matched by the majority of enterprises. The solid statistical fact is that over the past century wealth in this rapidly expanding country has grown at the rate of approximately 3 per cent a year. Such, in short, is the average expectancy of return upon invested capital over a long period of years, allowing for inevitable losses. There are wide variations, of course, from industry to industry and from time to time. Therein lies the secret of shrewd investment. The pertinent example of the iron and steel industry is worth citation. During the twelve years 1921-1932 the twenty largest corporations in this industry earned an average return of 4.3 per cent on the aggregate net worth of their assets, as shown by their balance sheets, and a return of 6.2 per cent on the value of their sales.

* * *

Gold and Prices

If one cared to listen, the economists of the world could no doubt spend a year or two debating the relationship between gold and commodity prices. The Federal Government is now conducting a practical experiment in this complicated field. Perhaps it will in time give us a satisfactory answer. One school of economic thought firmly believes that an increase in gold supplies or an increase in the volume of money—using the term in the broader sense of currency and bank credit—backed by gold leads inevitably to higher prices. There is reason to believe the equation is more complicated than this. Given an unfluctuating balance of supply and demand, no doubt changes in the volume of gold, i.e., money, would affect the price level. Even here, however, we run into complexities, for the important thing is not the volume of money but the *effective* volume. That is to say, the volume of money or credit in *active use*. This is what the conservative school of economists is talking about when it speaks of the "velocity" of money. Obviously, gold which is hoarded, currency which is not spent and bank credit which is not loaned can scarcely be expected to lift prices. The period 1895-1910 brought rising prices and large additions to the world supply of gold from the development of new fields in Alaska and South Africa. On the other hand, more gold was produced in 1931 and 1932 than in any comparable period in history and prices fell steadily throughout those years. Since the present downward price cycle began in 1920 after the war time inflation, the monetary gold stock of the United States has increased by $1,500,000,000 and the gold stocks of central banks in forty-nine other countries have increased by an aggregate of $3,500,000,000. Either the modern need for gold increased much faster than the supply or the enlarged supply was not effectively utilized. If neither is the case, the commodity supply and demand ratio over this period had more to do with the commodity price trend than the ratio of gold to commodities. Volumes could be written on this puzzle. Let's save it for a rainy day!

* * *

Capital Goods and Depression

As pointed out above the absence of normal revival in capital goods constitutes the missing element in business recovery. More detailed examination of what has happened yields some very interesting data. Construction, producers' goods, such as machine tools, and consumers' capital goods—that is, goods in which consumers usually employ savings rather than current income, such as automobiles, vacuum cleaners and household furniture—accounted in 1929 for approximately half of the country's total industrial production, while consumers' goods of relatively short life accounted for the other half. Depression in the first group was more than twice as severe as in the second group. Moreover, recovery to date has left the first group still abnormally depressed. For the second group the percentage decline in production was only moderately greater than the percentage decline in the price level, suggesting that the actual physical volume of consumers' goods was not seriously changed by depression. The following changes in volume of production in consumers' goods and capital goods, comparing 1932 with 1929, is taken from the Census of Manufactures: In foods we find little change. For example: Sheep and lambs slaughtered increased 17.3 per cent; consumption of cheese increased 15.5 per cent, imports of tea were up 6 per cent, imports of coffee up 1.2 per cent; receipts of fluid milk at New York City were unchanged; imports of cocoa declined 5.4 per cent; poultry receipts declined 6.1 per cent; flour consumption, 7.8 per cent; eggs, 12.3 per cent; cattle, 12.8 per cent; hogs, 14.7 per cent; citrus fruit, 15.5 per cent; apples, 20.8 per cent. Ranking with foods in stability, gasoline consumption declined only .2 of 1 per cent. Clothing was harder hit, shoe production declining 13.2 per cent; cotton consumption, 28.8 per cent; wool consumption, 34.2 per cent. Cigarette withdrawals fell only 13 per cent; but candy sales fell 39.9 per cent; tire sales, 40.5 per cent; furniture, 64 per cent, vacuum cleaner, 64.3 per cent and automobiles, 75.2 per cent. In contrast, the capital goods group shows declines of 99.3 per cent in freight cars built; 95.9 per cent in electric cranes; 95.4 per cent in locomotives; 92.1 per cent in factory construction; 87.1 per cent in electric furnaces bought; 87 per cent in

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The Magazine of Wall

THE MAGAZINE OF WALL STREET'S Bond Appraisals of active and important bonds is presented in two parts. The sections alternate with appropriate alterations and additions, so that holders and prospective buyers of bonds may be constantly informed as to the effect of developments in the largest number of issues.

Owing to the uncertainty which has grown out of the prospect of inflation, or at least a lowering of the dollar's purchasing power, bond purchases for investment can only be made with a full recognition of these factors. There is, of course, no suggestion here that the individual eliminate all high-grade issues from his portfolio, for they possess certain advantages, regardless of conditions, not found in other securities. Among the second-grade and more speculative bonds found in these tables some undoubtedly have large potentialities. Such bonds, however, must be selected on their merits and with due regard to one's own financial condition and the degree of risk that can be assumed.

Inquiries concerning bonds should be directed to our Personal Service Department.

Railroads

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	Fixed Charges times earned† 1931	Fixed Charges times earned† 1932	Price Call‡	Price Recent	Yield to Maturity	COMMENT
Chicago, Rock Island & Pacific Ry.								
General 4s, 1988	314	99	1.0	.3	N C	46	..	Reorganization in process. Int. in default, but this issue should ultimately emerge undisturbed.
Sec. "A" 4½s, 1952	314	40	1.0	.3	102½*	19	..	Secured by $45,000,000 1st & Ref. 4s.
1st & Ref. 4s, 1934	314	208	1.0	.3	N C	19	..	Some scaling down likely.
Convertible 4½s, 1960	314	32	1.0	.3	105 '36*	9	..	Junior to issue above.
Missouri-Kansas-Texas R. R.								
Prior Lien "A" 5s, 1962	107	62	1.3	1.0	105	70	7.6	Reasonably good bond.
Adjustment "A" 5s, 1967	107	14	1.3	1.0	100	35	14.5	Junior to issue above.
M., K. & T. 1st 4s, 1990	107	39	1.3	1.0	N C	77	5.3	Underlies issues above. Better grade bond.
New York Central R. R. Co.								
Consolidation 4s, 1998	670	68	1.0	.7	N C	77	5.3	A better grade investment.
Ref. & Imp. "A" 4½s, 2013	670	355	1.0	.7	110	57	7.9	Junior to issue above. No more than fair security.
Conv. deb. 6s, 5.1.35	670	12	1.0	.7	110	74	..	Junior to two issues above. Almost speculative.
N. Y. C. & H. R. Mtge. 3½s, 1997	670	94	1.0	.7	N C	82	4.3	High grade underlying bond.
N. Y. C. & H. R. 30-yr. 4s, 5.1.34	670	48	1.0	.7	N C	83	..	Rank with the consolidation 4s, 1998.
N. Y. C. & H. R. 30-yr. 4s, 1942	670	9	1.0	.7	N C	75	7.9	
N. Y. C. & H. R. Lake Shore Coll. 3½s, 1998	670	23	1.0	.7	N C	70	5.1	Prior in lien to cons. 4s, 1998. Strong bonds.
N. Y. C. & H. R. Mich. Cent. Coll. 3½s, 1998	670	19	1.0	.7	N C	70	5.1	
Lake Shore & M. S. 1st 3½s, 1997	670	50	1.0	.7	N C	85	4.2	High grade investment.
Chic., Ind. & Sou. Mtge. 4s, 1956	670	15	1.0	.7	N C	70	6.5	Reasonably good bond.
Cleveland Short Line 1st 4½s, 1961	670	12	1.0	.7	N C	83	5.7	Good caliber.
Jamestown, Frank. & Clear. 1st 4s, '59	670	11	1.0	.7	N C	..	..	Good grade bond.
C., C., C. & St. Louis Ry.								
Gen. 4s, 1993	150	33	1.0	.7	N C	73	5.6	Good grade holding.
Ref. & Imp. "E" 4½s, 1977	150	65	1.0	.7	105 '47*	61	7.6	Junior to issue above.
Michigan Central								
1st 3½s, 1952	61	18	1.0	.7	N C	88	4.4	High grade.
Ref. & Imp. "C" 4½s, 1979	61	18	1.0	.7	105*	..	..	Junior to issue above.
Canada Southern Cons. "A" 5s, 1962	..	29	1.0	.7	N C	89	5.8	Good, sound bond.
Detroit R. T. (D. T. & T.) 1st 4½s, '61	..	18	1.0	.7	N C	88	5.3	Better grade.
N. Y. & Harlem Ref. (now 1st) 3½s, 2000	..	12	1.0	.7	N C	..	..	Of the highest grade.
West Shore 1st 4s, 2361	..	49	1.0	.7	N C	80	5.0	Strong, well-situated bond.
N. Y., N. H. & Hartford R. R.								
1st & Ref. 4½s, 1967	258	58	1.6	1.0	105 '37*	55	8.6	Large debt equally secured. Medium grade.
Non-conv. Deb. 4s, 1955	258	50	1.6	1.0	N C	52	9.1	Equally secured with 1st & Ref. bonds.
Secured 6s, 1940	258	18	1.6	1.0	105	72	12.0	Secured pledge $23,000,000 1st & Ref. 6s.
Conv. Deb. 6s, 1948	258	39	1.6	1.0	N C	73	9.4	Equally secured with 1st & Ref. bonds.
Deb. 4s, 1957	258	15	1.6	1.0	N C	46	10.0	Unsecured by mtge. Semi-speculative.
Harlem Riv. & Port Chester 1st 4s, '54	258	15	1.6	1.0	N C	88	4.9	Better grade investment bond.
Central New England 1st 4s, 1961	258	13	1.6	1.0	105	67	6.6	Reasonably good issue.
New England R. R. Cons. 4s, 1945	258	18	1.6	1.0	N C	69	8.1	Of fairly good caliber.
Guaranteed Issues								
N. Y., West. & Boston 1st 4½s, 1946	..	22	..	..	110	42	14.8	Would be speculative on its own merits.
St. Paul Un. Depot 1st & Ref. "A" 5s, 1972	16	15	..	..	110 '42*	100	5.0	Guarantors include No. Pacific, Gt. North'n, St. Paul and the Burlington.

Public Utilities

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	Fixed Charges times earned† 1931	Fixed Charges times earned† 1932	Price Call‡	Price Recent	Yield to Maturity	COMMENT
Alabama Power Co.								
1st Mtge. 5s, 1946	97	71	2.0	1.8	105	75	8.2	Good grade, but Government operation of Muscle Shoals unknown factor.
1st Lien & Ref. 5s, 1951	97	61	2.0	1.8	104½*	71	8.1	Ranks slightly below 1st 5s.
1st & Ref. 4½s, 1967	97	63	2.0	1.8	101½*	55	8.6	Ranks slightly below 1st lien & ref. bonds.
Brooklyn Union Gas Co.								
1st Cons. 5s, 1945	49	15	3.4	3.0	N C	108	4.1	Of the highest grade.
1st & Ref. "B" 5s, 1957	49	16	3.4	3.0	107*	103	4.8	Junior to issue above, but still high grade.
Deb. 5s, 1950	49	18	3.4	3.0	105*	95	5.4	Strong bond, tho not secured by mtge.
Cons. Gas of New York								
Debenture 4½s, 1951	398	140	4.7	3.7	106*	92	5.2	Better grade even should lower rates be made effective.
Westchester Lighting 1st 5s, 1950	398	9	4.7	3.7	N C	107	4.4	High grade.
N. Y. & Westchester Ltg. Gen. 4s, 2004	398	10	4.7	3.7	100	93	4.3	Junior to issue above, but still strong.

Street's Bond Appraisals

Public Utilities (Continued)

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	Fixed Charges times earned† 1931	Fixed Charges times earned† 1932	Price Call‡	Price Recent	Yield to Maturity	COMMENT
Detroit Edison Gen. & Ref. (now 1st) "D" 4½s, 1961	134	134	2.9	2.1	105 '41*	89	5.3	Position improved this year. Better grade.
Duke-Price Power 1st "A" 6s, 1966	40	36	1.2	1.3	105¼*	70	8.8	Position somewhat obscure.
Indianapolis Pwr. & Lt. 1st "A" 5s, 1957	38	38	2.5	2.0	104*	82	6.5	Reasonably good grade.
Kansas City Power & Light 1st 4½s, 1961	41	41	4.0	3.1	110	101	4.4	High grade investment.
New York Edison								
1st Lien & Ref. "B" 5s, 1944	123	85	6.8	5.0	105*	106	4.3	High grade investment bond.
N. Y. Gas & El. Lt., Heat & Pwr. 1st 5s, 1948	123	15	6.8	5.0	N C	109	4.2	Assumed by New York Edison.
do P. M. 4s, 1949	123	21	6.8	5.0	N C	100	4.0	Gilt edged.
N. Y. Power & Light 1st 4½s, 1967	67	67	2.3	2.1	105*	84	5.5	Good grade bond.
North American Deb. 5s, 1961	327	25	2.1	1.7	104½*	67	8.0	Among the better holding company obligations.
Ohio Edison Co.								
1st & Cons. 5s, 1960	68	27	2.8	2.2	105*	83	6.3	Medium grade bond.
Northern Ohio Pwr. & Lt. Gen. & Ref. 5½s, 1951	68	18	2.8	2.2	105*	87	6.8	Ohio Edison assumes. Medium grade.
Penn-Ohio Pr. & Lt. 1st & Ref. 5½s, '54	68	19	2.8	2.2	104*	86	6.8	Also assumed Ohio Edison. About same grade as issues above.
Public Service Co. of Northern Illinois								
1st & Ref. 5s, 1956	131	84	..	1.7	110	71	7.7	Greater part pledged under 1st Lien & Ref. bonds. Reasonably sound.
1st Lien & Ref. "F" 4½s, 1981	131	100	..	1.7	102½*	67	6.9	Jr. to issue above and prior liens thereto.
Southern California Gas Co.								
1st & Ref. (now 1st) "B" 5½s, 1952	27	12	2.9	2.7	102½	98	5.7	Better grade.
1st Mtge. & Ref. 4½s, 1961	27	21	2.9	2.7	105*	82	5.8	Ranks slightly below issue above.
Southwestern Bell Tel. 1st & Ref. 5s, 1954	51	49	5.8	5.0	105 '34*	107	4.5	High grade.

Industrials

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	Fixed Charges times earned† 1931	Fixed Charges times earned† 1932	Price Call‡	Price Recent	Yield to Maturity	COMMENT
American Radiator Deb. 4½s, 1947	10	10	1.3	def	101½*	101	4.4	Company's business is still disappointing, but bond is a strong one.
Am. Smelting & Refining 1st "A" 5s, 1947	39	37	1.5	def	100	100	5.0	Outlook improved. Good grade.
Com'l Investment Tr. Conv. Deb. 5½s, '49	20	20	4.5	4.2	110*	103	5.2	Good, sound bond.
Lehigh Coal & Navig. Cons. "A" 4½s, 1954	32	20	..	1.6	105	..	..	Good grade bond.
Philadelphia & Read. Coal & Iron								
Ref. 5s, 1973	58	27	1.5	def	105	52	9.8	Almost speculative.
Conv. Deb. 6s, 1949	58	31	1.5	def	110 '34*	42	..	Junior to issue above.
Penn-Dixie Cement 1st "A" 6s, 1941	10	10	def	def	103*	57	..	Still somewhat speculative, but prospects better.
Remington-Rand Deb. "A" 5½s, 1947	18	18	def c	def c	104*	63	10.6	cYears to 3.31. Still speculative, though co strong financially.
Shell Union Oil Deb. 5s, 1949	91	65	def	.2	103*	86	6.4	Good grade now that oil outlook has improved.
Shell Pipe Line Deb. 5s, 1952	26	26	11.1	9.9	102½*	88	6.1	Shell Union guarantees. Better grade.
Sinclair Consol. Oil (Now Consol. Oil)								
1st lien Coll. "A" 7s, 3.15.37	60	58	def	1.3	102*	102	6.4	Secured pledge subsidiary stocks. Sound issue.
Swift & Co.								
1st 5s, 1944	54	21	3.5 b	def b	102½	104	4.5	bYears to 10.31. High grade.
5% Notes, 1940	54	28	3.5 b	def b	102	100	5.0	Junior to issue above.
United States Steel Corp.								
Illinois Steel Deb. 4½s, 1940	99	19	def a	def a	105	101	4.3	a U. S. Steel's earnings, guarantor. All are high grade bonds.
C. L. S. & East. 1st 4½s, 1969	99	9	def a	def a	110	..	..	
Frick (H. C.) Coke Pitts-Mon. P. M. 5s, 1933-44	99	7	def a	def a	N C	..	..	
Not Guaranteed.								
Elgin, Joilet & East. Rly. 1st 5s, 1941	12	10	def	def	N C	96	5.6	While late conditions have lowered caliber somewhat, is still strong bond.
Tenn. C. & I. R. R. Gen. 5s, 1951	..	11	..	..	N C	104	4.7	Strong, well-secured bond.

Short-Term Issues

Company	Due date	Amount of this issue (mil'ns)	Fixed Charges times earned† 1931	Fixed Charges times earned† 1932	Price Call‡	Price Recent	Yield to Maturity	COMMENT
Atlantic Refining Deb. 5s	7.1.37	14	1.6	5.9	N C	103	4.1	Good grade investment.
Buffalo Gen. El. 1st Ref. 5s	4.1.39	7	3.5	2.6	105	..	..	High grade bond.
Chicago Gas, Light & Coke 1st 5s	7.1.37	10	2.7	1.9	N C	100	5.0	High grade investment.
Gulf Oil Deb. 5s	12.1.37	28	def	1.4	103½	102	4.4	"Medium to high" grade issue.
Humble Oil & Refining Deb. 5s	4.1.37	19	2.1	9.1	102	103	4.1	Wide margin earned last year over interest requirements. High grade.
New York Telephone 1st & Gen. 4½s	11.1.39	61	4.7	3.7	110	104	3.7	Gilt-edged.
Pacific Tel. & Tel. 1st & Col. 5s	1.2.37	26	4.5	4.1	110	105	3.5	Of the highest grade.
Virginia Rail. & Pr. 1st & Ref. (now 1st) 5s	7.1.34	11	3.1	..	105	101	4.0	Strong issue.

† Fixed charges times earned is computed on an "over all" basis. In the case of a railroad, the item includes interest on funded debt and other debt, rents for leased roads, miscellaneous rents, etc.; in the case of a public utility it includes interest on funded and unfunded debt, subsidiary preferred dividends, minority interest, etc. ‡ An entry such as 105 '36 means that the bond is not callable until 1936 at the price named. * Indicates that the issue is callable as a whole or in part at gradually decreasing prices.

STANDARD OIL OF NEW JERSEY

Profit Prospects Improve for the Giant of Oils

Leader in Petroleum Among First to Benefit from Better Conditions in the Industry

By Laurence Stern

GROSS operating income........ $1,080,025,772.81
Net profit 282,865.06
Earnings per share .... .01

Which is to say, translating this contrast between one billion dollars and one cent, that Standard Oil of New Jersey, giant of the petroleum industry and one of the largest industrial enterprises in the world, found the going pretty rough last year. So the figures appear to indicate.

But while figures do not lie, they can sometimes be misleading; and so they are in this instance. The trifling 1932 profit above reported is not indicative either of last year's realities or of the current year's improved prospect. Rather, it is indicative of the conservative accounting which over the years has had so much to do with making this stock in an inherently speculative industry one of the strongest and soundest of investment equities.

Huge Reserves

Let us look deeper. In 1932, a disastrous year for petroleum, Jersey's earnings from operations, before interest and reserves but after taxes, were $138,187,069, approximately 5% above the figure of 1931. Depreciation and other reserves totalled $111,334,472 or substantially more than 10% of gross operating income; and some 10%, likewise, of the $1,109,937,983-figure to which the vast fixed assets of this corporation have been written down.

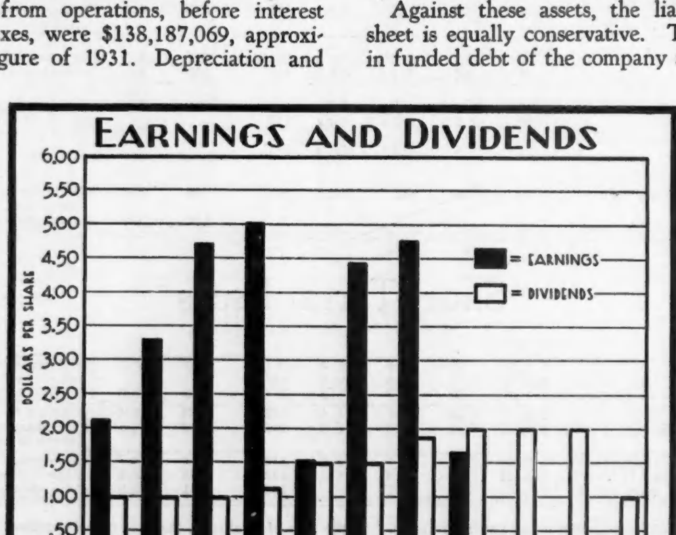
Put in simpler terms, the reserves set up out of 1932 earnings were equal to $4.32 per share. Similarly, Jersey reported 34 cents per share earned in 1931 but wrote off 95 cents a share in inventory adjustment and $4.27 per share in reserves for depreciation, depletion, amortization and retirements; and its 1930 profit of $1.65 per share was after allowance out of earnings of $1.23 per share for inventory adjustment and $3.30 per share for reserves.

Thus, in analysis of this gigantic enterprise, one begins to get a hint of the reasons why its securities command premier standing. Still more striking indication of ultra-conservative accounting, one notes that the aggregate reserve for depreciation set forth on the balance sheet represents 53% of the depreciable assets, which is to say that Jersey's vast and far-flung capital assets are now carried at only 47% of the original cost.

Leaving out patents and other intangibles—although some of them, including the hydrogenation process acquired in 1927 from I. G. Farbenindustrie of Germany, are of great value—one finds that fixed assets of $1,109,937,983 at less than half original cost, permanent investments of $137,081,778 and working capital of $447,151,247 foot up to a total of $1,694,171,008.

Against these assets, the liability side of the balance sheet is equally conservative. There is only $207,245,001 in funded debt of the company and subsidiaries and $643,524,125 in capital stock, represented by 25,740,965 outstanding shares of $25 par value. The other chief items are $284,959,858 covering capital and surplus of minority interests and total corporate surplus of $520,556,406.

In short, Jersey could boast, if it were in the habit of boasting, of a relatively light capitalization of very heavy assets, a fact which puts it in the enviable position of being able both to ride out almost any imaginable storm and to profit handsomely

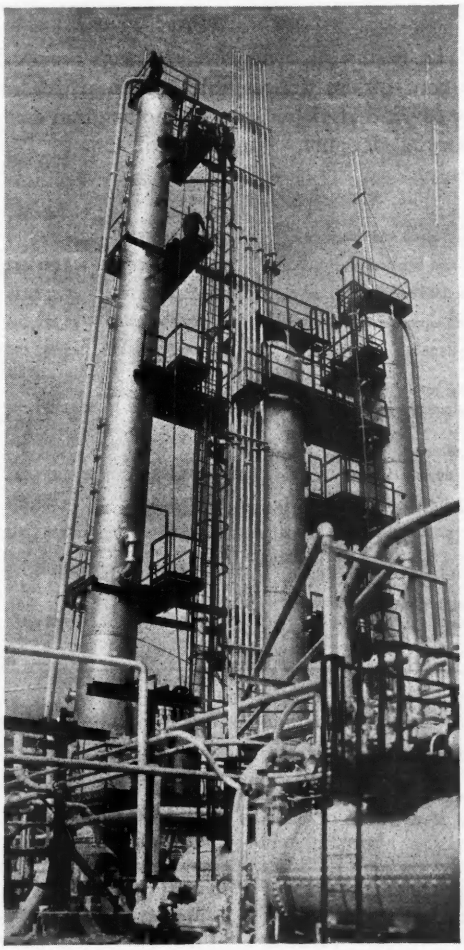


from any turn for the better in the economic tide. Such a turn for the better now appears to be under way in double form. First, underlying natural recovery is visible throughout much of the world, increasing consuming demand for petroleum products and the ability to pay for them. Second, it is possible to hope that Federal control of crude oil production and of refining output, plus Federal price-fixing on all petroleum products, will go far toward ending the past era of chaotic competition, waste and capital losses within the domestic industry.

As to the factor of natural economic revival, necessarily of unknown potentialities, one may rest assured that Standard of New Jersey will benefit in proportionate measure, as it always has in the past. It is this year's second economic change — the entrance of governmental regulation of the industry from oil well to service station—that especially invites conjecture at this time regarding the future of the industry's largest unit.

It is well known that the Jersey management opposed Federal price-fixing, holding it unsound in principle. It believes that effective control of production is the important thing. Given this, it asserts, there would be no need for price-fixing. Further, it is known to harbor doubts whether production can in fact be controlled under existing conditions surrounding the business. The inherent difficulties of control, it believes, tend to be aggravated by an artificially raised price level for crude oil.

It would be only human, of course, for this company's attitude to be colored by its own business interests. Yet the point that it makes regarding production control merits attention, not only by its own stockholders but by all investors interested in the petroleum prospect, since it bears directly upon future stabilization and earning power.



Courtesy, The Lamp

Where 17,000,000 Feet of Gas Are Treated Daily for Gasoline Recovery

In brief, the trouble is this: When a pool is found the driller of the first well hastens to drill a second and a third and a fourth and a fifth to prevent his neighbors from draining off his oil. The first well, costing, let us say, $40,000, would be adequate to draw off all needed oil; but the five wells cost $200,000. To recover this mounting investment, much less make a profit on it, oil must be drained off and sold, whether the buying market be propitious or not.

The Jersey management's opinion can best be grasped from the words of its own monthly publication, The Lamp:

"If the oil in the pool were declared the common property of the surface owners—each landholder according to law being entitled only to what oil lies beneath his property —the 'why' of overproduction would be eliminated. The 'why' of overproduction is too many wells, and the reason there are too many wells is because a fundamental law of capture relating to running water and wild game was erroneously applied to petroleum years ago in an obscure Pennsylvania court house.

"Until that law of capture is definitely replaced on the statute books by the principle of common ownership, restriction of crude output in the United States is going to be a job for voluntary co-operation and rigid policing. In the long run you cannot secure economic balance by force any more than you can attain temperance by force. The oil industry will enjoy the security of permanent stabilization when the last possible benefit in overproduction, even to the greedy, is removed. That will come when common sense laws of ownership obviate the need for over-drilling, encourage unit operation and relieve the pressure of excess potential supply in the ground."

Since one may assume that the Jersey management's future plans will be influenced as far as possible by its own opinions of the realities confronting the industry, the above opinion must be kept in mind in any conjecture as to the position this company will occupy under the present system of Federal control and price-fixing and as to its future corporate policies under that system. What, if any, will be the benefits accruing to it?

First, the notion no doubt entertained by some stockholders that the company will profit largely from increased prices for crude oil is erroneous. Of the domestic supply of crude oil which Jersey refines, it and its subsidiary and affiliated companies produce approximately 50%. The other 50% has to be purchased. Indeed, rather than produce heavily in a period of unsatisfactory prices, the company in 1932 on the whole bought nearly two barrels of oil from others in the industry for every barrel it produced for itself.

Obviously, then, higher crude oil prices alone would not benefit Jersey. Enlarged profits for producing subsidiaries would be no more than a bookkeeping item, transferring money from one corporate pocket to another; and, moreover, would be offset by the higher costs of purchasing in the open market the remaining 50% supply of needed crude.

Nevertheless, Federal fixation of minimum crude prices —namely the base of $1.11 for 36 gravity Mid-Continent oil and proportionate prices for other qualities and other areas—does suggest certain logically probable changes in Jersey policy. The increased cost of purchasing crude oil carries with it the obvious incentive for the company to enlarge production from its own properties. The existing properties are capable of supplying a larger percentage of the company's total needs than was availed of last year when oil could be cheaply bought. Assuming, in spite of Jersey's own doubts, that Federal regulation will be

successful in controlling production to the requisite degree, the company would benefit in its own producing activities from the economies and elimination of waste made possible by such regulation. Assuming also that Federal regulation is both successful and permanent, one can easily vision Jersey in coming years acquiring additional producing properties.

Of much greater significance to future earning power is the effect of Federal price-fixing upon the profits derived from the refining and marketing of petroleum products. In this respect, Jersey, like all large, integrated units, should benefit materially.

In 1929, when this company reported earnings, after its usual heavy reserves, of $4.75 per share, the average price of wholesale gasoline was 7.21 cents a gallon and the average price of crude oil $1.27 per barrel; in 1930 the ratio was 5.72 cents per gallon for gasoline and $1.20 for crude oil, with Jersey earning $1.65 per share; in 1931 gasoline averaged 3.44 cents and crude oil 65 cents, and the company's per share earnings fell to 34 cents; in 1932 gasoline averaged 3.89 cents and crude oil 87 cents a barrel and, as above stated, Jersey reported profits of 1 cent per share.

While there are, of course, wide variations in oil and gasoline prices, depending upon grade, locality and other factors, the above figures are cited as sufficiently representative for the purposes of this analysis. It will be observed that in 1929, the last year of satisfactory earnings in the oil industry, a barrel of crude oil sold for approximately 17.6 times the price of a gallon of gasoline. In 1930 this ratio was 20.9; in 1931, approximately 19; and in 1932, when the industry went through its worst period of depression, the ratio advanced to 22.3. Comparing the basic $1.11 minimum price for 36 gravity Mid-Continent oil with the basic minimum price of 6½ cents for Mid-Continent gasoline, we find the ratio is approximately 17, or roughly equivalent to the price ratio prevailing in 1929.

Because of the complexity of factors involved, it would be sheer guesswork to hold that earnings of Standard Oil of New Jersey under Federal price-fixing—assuming it to be successful—will shortly duplicate earnings of 1929 because the ratio of refined to crude prices under the code will be approximately what an unregulated ratio happened to be in 1929.

Yet it is obvious that the company's profits are largely dependent upon a proper and stable spread between the cost of crude oil and the price of gasoline. It is also obvious that the spread provided under the regulations announced by Secretary of the Interior Ickes, in his capacity as administrator of the oil code, is far more favorable to refiners than that prevailing in the chaotic market of 1932.

Accordingly, and again assuming that the designated prices can be enforced through effective production control, it appears certain that Jersey's earnings are due for a very substantial improvement. Several factors other than Federal price-fixing also point in this direction. For one thing, the industry is virtually unique in the stability of consuming demand. Gasoline consumption in this country declined last year for the first time in the industry's history, but the drop was only 7.7%. General economic improvement should either maintain the present demand or gradually expand it, especially since the socializing influences at work point rather clearly toward shortening hours of work and increasing leisure. Next and even more important in relation to probable earning power, Jersey's operating efficiency has been greatly improved. Its unit manufacturing costs, while not known in detail, are considerably under the 1929 level. Moreover, unlike certain other industries, compliance with the N R A code as to hours and wages of labor will impose no important burden upon the petroleum industry. Exclusive of marketing, less than 15% of Jersey's total expenses is accounted for by wages and salaries.

"The reserve for depreciation represents 53 per cent of the depreciable assets, which are now carried at 47 per cent of the original cost." —Annual Report, Standard Oil Co. of New Jersey.

	Domestic	Foreign
Lands, leases and easements...	$158,678,400.63	$219,300,358.10
Plant and equipment..........	909,823,426.15	614,526,422.61
Incomplete construction........	15,811,335.17	9,357,428.87
Marine equipment............	101,602,805.99	65,282,509.84
Miscellaneous property........	8,309,674.68	32,784,469.81
Gross properties, plant and equipment.................	$1,194,225,642.62	$941,261,189.23
Less reserves:		
For depreciation............	$554,262,433.01	$350,157,923.36
depletion...............	34,078,552.29	50,866,494.14
amortization............	15,819,091.95	20,364,353.24
Total reserves......	$604,160,077.25	$421,388,770.74
Net properties, plant and equipment....................	$590,065,565.37	$519,872,418.49

Reported earnings, it need hardly be said, depend in no small measure upon the particular technique of accounting employed. Obviously, with less conservative policies as to depreciation and reserves, it would be possible for Jersey to "show" earnings substantially above those heretofore announced. It is open to doubt, however, that the accounting policies followed by this company throughout its successful career will be importantly changed. In the past, instability has been an inherent characteristic of the industry. Possibly much of that instability will in future be removed by Government regulation, but, at least from Jersey's point of view, this remains to be proved. Until it is proved, it appears a logical expectation that the company will adhere to its present conservatism in such matters as valuation of properties, depreciation and reserves.

It is probable, however, that on the present set of facts an improved inventory position will find reflection in earnings. It does not necessarily follow that a company which charges off inventory losses out of current earnings will add inventory gains to current earnings, but the mere cessation of the inventory losses charged off by Jersey in recent years would mean larger reported profits.

No discussion of probable profits can be divorced from the matter of taxation. The present level of taxation is a high one and tends to mount still higher. Moreover, anything smacking of inordinate corporate profits would be somewhat out of style in this era of New Deal politics. Granting that conservatism in accounting is demanded by the inherently speculative nature of the oil industry, it also, perhaps not entirely by chance, leaves somewhat less for the tax collector.

In relation to the cost of the product, sales taxes on

(*Please turn to page ???*)

Lower Production Costs and Expanding Markets

Sustained Profits Indicated in Rayon Industry

By William Wren Hay

THE rayon industry is the only important industry anywhere in the world that is producing and selling a larger output than ever before. At the present time, most of the rayon plants in this country are running at full capacity and this year's consumption of this synthetic textile is expected to exceed 200-million pounds or one-third more than ever before.

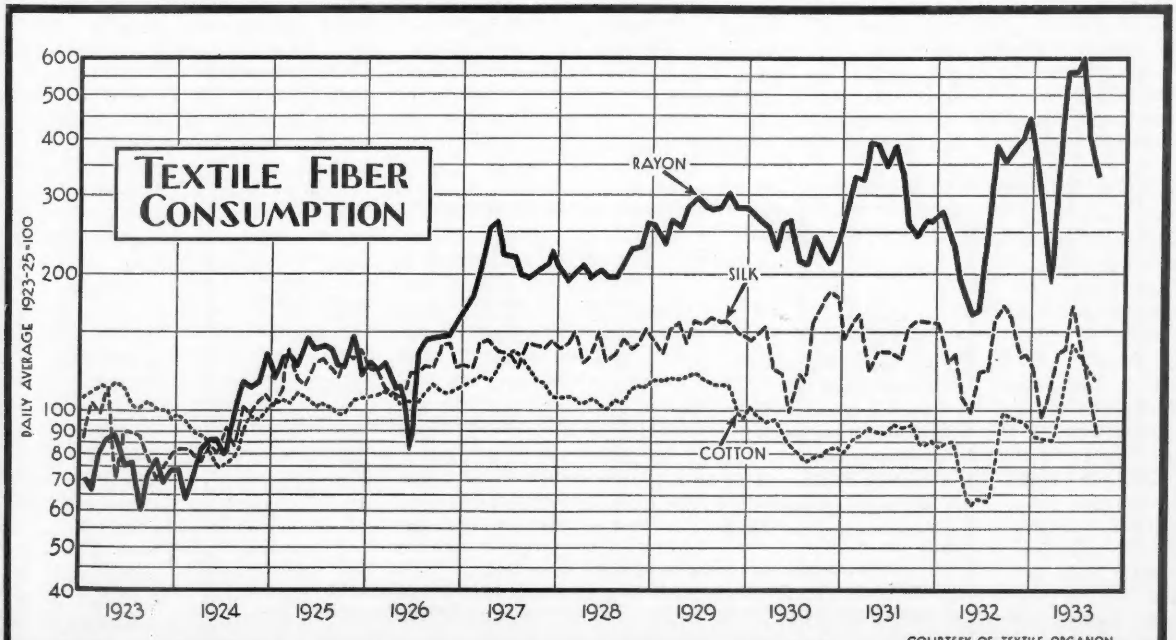
The reasons why this single industry is prospering are many and varied and indicate that rayon has many more years of growth ahead of it. In the first place, young industries producing goods which catch the public fancy frequently prosper during depressions, particularly when the demand is kept elastic by sound merchandising policies.

It is only two score years since "artificial silk" was first produced commercially in Europe and not until just before the war was the first plant built in this country. Within ten years after production of rayon was started here, our output exceeded that of any other nation and we now make more than a quarter of the entire world production. All of the pioneer development work was done in Europe and many inventors transplanted the new textile behind our high tariff walls, thus sparing our domestic industry the long and costly experimental period, enabling it to spring into large production within a few years.

At one time or another every rayon plant in this country had some agreement with or was under the control of European inventors and a number of large producers, including the largest, are still controlled in Europe. Europeans supplied technical direction and experience, machinery and patents, as well as a great deal of the original capital, but American merchandising methods were responsible for cultivating the user to such extent that the new industry grew larger and more rapidly here than elsewhere.

Prior to 1924, the textile now known almost universally as rayon was called artificial silk, as it still is in some countries. The National Retail Dry Goods Association, in 1924, applied a synthetic name, "rayon" to designate the new textile and by doing so broke down the resistance consumers had to "artificial silk." Rayon has a number of qualities not found in either cotton or silk goods of various kinds and purposes and consumers, exercising their choice between rayon and cotton goods which are cheaper or silk goods which are more expensive, take an increasing amount of rayon because it is "worth the money."

During the war, the price of rayon rose rapidly because its raw materials were needed for the war and European imports were naturally shut off when those plants were conscripted for war use. Early in 1920, when our demand far exceeded the supply, the price rose to $6 a pound but it soon tumbled down again and declined progressively until last spring it reached the low price of only 50 cents. Even now it is only



65 cents a pound. The added costs under N R A and the possible imposition of an equalization tax under AAA are not expected to add much more than 10 cents per pound to present prices but this should have little or no effect upon consumption while both cotton and silk goods are relatively much higher.

Rayon is a product of the chemical laboratory and the operations of making it are largely mechanical. There are at present four types of filaments made commercially but all of them use the same basic raw material, cellulose, which is derived from either wood pulp or cotton linters. This industry is one of the largest users of alkalis and because the raw materials used in the process may be varied as the economies of one or another fluctuate, the rayon industry sometimes affects some of the joint-processes of the chemical industry. Du Pont is the second largest producer of rayon and Cellophane is only another form of this synthetic material. As du Pont was already a large producer of cellulose and alkalis, this branch of its highly diversified business is very economical and it is known to be very profitable.

The economical manufacture of rayon calls for large production units. It is estimated that the smallest plant it would pay to build would require several millions of capital, which precludes the entrance of many more producers at this time. As a matter of fact, only one large new plant (Tennessee Eastman Corp.) has been built since 1929 while practically every important producer has expanded since then or is doing so.

The cost of producing rayon has been lowered a great deal since 1926, the year when the largest number of new plants were erected. At that time, it cost nearly $1 to make a pound of yarn which was then selling for $1.50; now then almost all manufacturers are making a profit, with plants near capacity rates of operation, on the price of 65 cents a pound. Of course, raw materials, which were 25% of direct cost, and labor are both lower than they were two years ago. The most important cost reductions have been gained by improved methods and from spreading the cost of capital. Many of the established plants have been able to expand their output a great deal without the introduction of additional capital. For instance, Industrial Rayon Corp., which is one of the most economical producers, increased its productive capacity one-third in the last three years without much increase in its fixed capital. Whereas nearly one dollar of capital is needed per pound of annual capacity to start a new rayon enterprise, additions to the capacity of existing plants are being made with an expenditure of only 30 cents per pound of additional output.

Further Growth Ahead

At this time, it appears as if the same factors that stimulated the use of more and more rayon, year after year and even during depression, will operate to prolong the remarkable growth of this youthful industry. Furthermore, the economics of large scale production warrant the supposition that not many new producers may enter the industry to intensify competition and that, consequently, established manufacturers will continue to supply an increasing poundage of rayon as consumption expands. This means that probably all of the present producers who are financially strong will survive to grow larger with the industry.

There are only fifteen important producers of rayon in this country and only three of them are publicly owned—Industrial Rayon, Celanese and Tubize-Chatillon. Of these, Industrial Rayon alone is "100%" American-owned and operated for both the others are still controlled by the European entrepreneur inventors, du Pont and Eastman Kodak Co., both own subsidiaries which are engaged in producing this synthetic material.

Industrial Rayon is one of the most prosperous industrial corporations in the country at present and is earning more now than ever before. It is the successor to one of the pioneer makers of rayon and soon after re-organization under the present management, the company began to earn money. The original plant has been doubled in capacity and a new plant, completed in 1930, has been correspondingly increased, both of them without any great expense. Nearly one-half of the present net capital of $15,000,000 was supplied by stock subscriptions in 1929. In 1927, under new management, this producer, with 2.6% of total capacity, produced 4.7% of that year's output of the entire country; last year, operating 6.7% of all productive capacity, Industrial Rayon produced 9% of the entire output. At the present time, Industrial Rayon Corp. ranks fifth in size and its capacity is 7.2% of all in this country.

Industrial Rayon Corp. has only 200,000 shares of no par common stock for capital. Annual profits are now at the rate of over $8.50 a share compared to peak yearly earnings of $8.73 (year ended June 30, 1929) when one-third of total income was derived from call money interest on the funds raised for the new plant. Evidently its earning power from operations is greater now than it was when selling prices for its product were twice what they are now, the reason being that operations are now conducted on a scale three times larger than in 1929, using only 25% more capital.

This situation has been only partially discounted in the price of Industrial Rayon shares, and while it will of course be subject to the vagaries of the market as a whole, substantially higher levels are ultimately justified and acquisition of it in any general market weakness is amply warranted. In our opinion it is preferable to either of the other two popular rayon issues.

Despite the publicity attendant on Celanese Corporation of America, third largest producer of rayon, not a great deal is known outside the company about its operations. This enterprise is controlled and directed by (*Please turn to page* 98)

Leading Rayon Producers

Company	Capacity millions of lbs.	% Industry's Capacity	Listed	Price Range—1933 High	Price Range—1933 Low
The Viscose Co.	77.0	33.0	No.	....	....
The du Pont Rayon Co.(1)	37.2	15.9	(1)	....	....
Celanese Co. of Am.	22.0*	9.4	NYSE	58½	4½
American Glanzstoff Corp.(2)	17.3	7.4	(2)	....	....
Industrial Rayon Corp.	16.7	7.2	NYSE	82½	24
Tubize-Chatillon Corp.	16.3	7.0	N. Y. Curb	28¼	2
Am. Enka Corp.(2)	15.0	6.4	(2)	....	....
Am. Bemberg Corp.(2)	7.9	3.4	(2)	....	....
Tennessee Eastman Corp. (3)	5.5	2.4	(3)	....	....
Total Capacity	233.4	82.1			

*Estimated. (1) Wholly-owned subsidiary of E. I. du Pont de Nemours Corp. (2) Controlled by Associated Rayon Corp. (N. Y. Curb). (3) Wholly-owned subsidiary of Eastman Kodak Co.

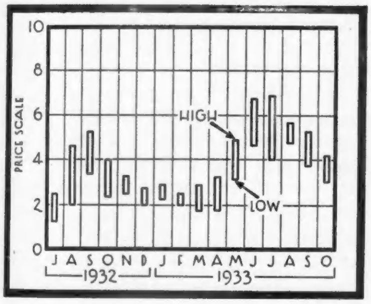
Low-Priced Speculations of Merit

Five Stocks in a Position to Show Substantial Recovery in Earning Power on Any General Business Revival

SELECTED BY THE MAGAZINE OF WALL STREET STAFF

Packard Motor Car

THE remarkable comeback staged by the automobile industry has been one of the outstanding phenomena of the year's business recovery. Whether necessity or luxury, the price of even the cheapest automobile is apt to be prohibitory to the



great majority of users in a period of economic distress. The former habit of purchasing a new car every year or two was displaced by a general attitude of "making the old bus do." As a consequence the number of shiny new cars on the streets and highways grew less and less until they became conspicuous in contrast with their ancient and scarred predecessors. Within the industry itself, however, there was a noticeable tightening of belts and a determined refusal to accept defeat. New models, new refinements and new gadgets made their appearance as before and particular emphasis was given to price appeal. Consequently it did not take a motor-minded public long to take advantage of this opportunity once confidence began to reassert itself. Thus to-day we find automobile companies, which only a short year ago were deeply "in the red," piling up sizeable earnings.

The Packard automobile is undoubtedly familiar to every one. For years it has been recognized as a symbol of motor car luxury and distinction and despite keen competition in the high price field, the company has held a prestige which dates back to the early days of the automobile industry. In price Packard automobiles range from $2150 to $4650 for standard models with custom built models ranging substantially higher. Obviously, therefore, their appeal is limited to a class field. With most manufacturers emphasizing the low price of their cars, the fact that Packard's sales did not register any noticeable improvement until last June is understandable. Since then, however, there has been a sustained pick-up and the dollar volume of sales in the month of September were the largest for any month for more than two years.

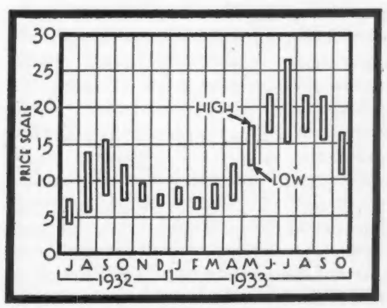
The year 1930 was the last in which the company was able to operate at a profit. In the intervening lean years the management has been able to put into effect many operating economies resulting in a marked reduction in the volume of business necessary to break even. There has been little shifting about in the Packard dealer organization and the company is well prepared to conduct an aggressive sales campaign both in the United States and abroad. Finances have been carefully husbanded and a particularly strong current position has been built up. Current assets on September 30, amounting to $21,303,511, showed a ratio to current liabilities of 7.5 to 1. Cash and marketable securities were over $15,000,000, or more than $1 per share of capital stock.

In the September quarter, Packard earned $622,785. Contrasted with a loss of $1,903,671 in the same period of last year, a loss of $1,131,823 in the first quarter and a profit of $21,953 in the second quarter, this latest showing may be regarded as highly satisfactory. Since last August, when 1934 models were introduced, the response has been such as to indicate that total shipments this year will be about 10,000 units and final results will disclose a modest profit. From the standpoint of inventory, the company was never more favorably situated. On September 1, units on hand numbered only 1,160 as against more than 4,000 a year ago.

There are 15,000,000 shares of capital stock outstanding, the sole capital liability. This large stock capitalization naturally has the effect of spreading the equity over a pretty large surface, which in turn accounts in part for the current low level at which they are quoted, $3.50. Further improvement in the company's earnings from this point on will depend upon the extent to which general business recovery is sustained but the promise of better days ahead appears to be sufficiently reassuring to lend interesting speculative possibilities to the shares.

Allis-Chalmers

THERE is every indication that the Administration keenly is aware of the necessity of reviving those industries engaged in the production of capital goods—goods which do not go into direct consump-



tion, such as machinery, electrical equipment, building materials, etc.—in order to assure a full measure of success for the recovery program. The capital goods industries normally account for 50% of the value of indus-

trial output in this country and employ a much larger number of workers than those industries producing articles for every-day consumption. In a period of depression the capital goods industries suffer the greatest decline and usually advance most in recovery. The Government, through its huge public works program and efforts to stimulate the purchase of railway equipment, will serve a two-fold purpose for any revival of the heavy industries also is bound to have a favorable effect upon producers of consumer goods.

Allis-Chalmers activities place the company solidly in the capital goods category. Not only is the company rated the fourth largest manufacturer of electrical equipment, but it is an important manufacturer of farming machinery, tractors, road building machinery and heavy equipment for such industries as flour milling, lumbering, mining, cement and coal distillation. It goes without saying, therefore, that extensive public works projects, together with expansion and replacement of industrial plants and equipment would stand the company in excellent stead.

In the period from 1929 to and including 1932 orders received by Allis-Chalmers declined nearly 75% and this has been largely the experience of other companies in the same field. Moreover, it would require double the current volume of orders to bring them to the 1931 level, which was probably below normal. This is painting the picture in its worst aspects. But when credit has been given to the company's importance, attested by its past record, it is a fair assumption that an appreciable gain will occur in the volume of orders as the Government's plans reach the actual working stage.

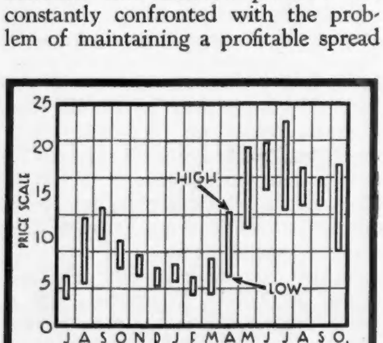
Apparently undismayed by the trend of the past several years, the management has not been content to follow a negative policy but has taken advantage of the opportunity to round out the company's activities by the acquisition of new properties at favorable prices. Conditions, however, have been such as to prevent newly-acquired properties from demonstrating their value from the standpoint of earning power. At the same time the company has preserved a sound financial position. As of September 30, last, net current assets were nearly $25,000,000, including cash and marketable securities of $5,600,000. Funded debt totals $13,912,000. The property and equipment account is given a depreciated value of $27,400,000.

Conforming with the experience of the majority of industrial organizations, the peak of the company's earnings was achieved in 1929. In that year the common stock earned the equivalent of $3.78 a share. Operations were conducted at a profit in 1930 and 1931, producing earnings for the common stock equal to $2.86 and $0.96 a share respectively. During this period the margin of profit declined from approximately 10% to slightly over 2%. Dividends on the common shares were omitted in May, 1932. Last year the company showed a deficit of $3,158,498 before interest charges and while current operations continue unprofitable, the loss, after all charges, depreciation, etc., in the first nine months was somewhat less than for the corresponding months of last year.

The common stock of Allis-Chalmers, outstanding at 1,291,677 shares, derives its chief attraction as a speculative vehicle at this time from a logical appraisal of the company's prospects with the materialization of large expenditures for public works, augmented later by a general industrial revival. In the past the company has transacted a large volume of business with Russia with very satisfactory results and, with the possibility that diplomatic relations between Russia and the United States may be renewed, the company's experience and prestige should be a valuable asset. Purchase of the shares at prevailing levels around 16 would seem to offer better-than-average profit possibilities.

United States Leather "A"

THOSE companies whose activities, in the main, are directed toward the conversion of raw materials into finished products are constantly confronted with the problem of maintaining a profitable spread



between manufacturing costs and the prices which products will bring in the market. While this is a problem with which every business must contend, it is intensified in the case of those industries which must purchase large quantities of raw materials months in advance of the time when the finished product is available to the consumer. Such industries include oil, rubber, copper fabricating and leather. The necessity on the part of these industries of carrying large inventories during a period of falling commodity prices has had a distressing effect upon the earnings of representative companies during the past several years, largely accounted for by heavy inventory losses. With the prospect, however, of rising, or relatively stable, commodity prices the outlook for this group of industries is more sanguine.

The United States Leather Co. is rated as the largest domestic tanner of sole and heavy leather, accounting for about 25% of total requirements. Principal customers are manufacturers of leather boots and shoes. The record of the company has been typical of that group of industries mentioned above. In 1927 and 1928, reflecting favorable price and demand factors, earnings were satisfactory and the class "A" shares earned $8.74 and $7.99 respectively. In each of the four subsequent years, however, deficits ranging from $3,709,000 to $1,110,000 were shown after fixed charges. It is significant that earnings in this entire period conformed closely to the fluctuations in hide and leather prices. While there was a decline in sales at the depth of the depression last year, unprofitable operations were for the most part the result of large inventory write-offs.

The current year will witness a marked reversal in the showing of the past four years. Hide prices, which were about 4.5 cents last February, have risen above 14 cents. At the close of 1932, United States Leather's inventory of $10,247,000 was based on hide prices of 5 cents. That this inventory was substantially liquidated at rising prices is indicated by the report that the company was replenishing stocks last August at prices around 12 and 13 cents. Prices have since declined moderately to around 11 cents. While doubtless sales have been stimulated by forward buying in anticipation of higher prices, the fact remains that the threat of inventory losses has been alleviated.

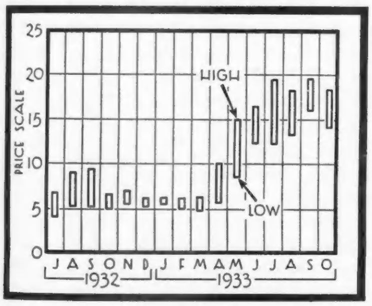
United States Leather has no funded debt, capitalization being made up of 78,067 shares of 7% cumulative prior preference stock, 247,168 shares of no-par class "A" stock and 397,010 shares of common stock. Dividends on the prior preference stock ceased with the payment of $1.75 last January but the improvement in the company's affairs in more recent months has permitted a payment of $2 against arrears

reducing accumulations to $3.50 a share. The class "A" shares have preference over the common to the extent of non-cumulative dividends of $4 annually and participate equally with the common up to an additional $2 annually. In the September quarter, after allowance for regular dividends on the prior preference stock, the class "A" shares earned the equivalent of $1.50 a share and for the nine months ended September 30, the "A" shares earned $2.04, comparing with a loss of $551,378 in the same period of 1932.

Although sustained improvement will depend upon later demand, and the extent to which the company is affected by codes, the weight of argument bears sufficiently on the favorable side to place the class "A" shares in an attractive speculative position at prevailing prices around 15.

Continental Oil

IN his capacity as administrator of the oil code, Secretary of the Interior Ickes has announced a minimum price of $1.11 per barrel of 36 gravity Mid-Continent crude oil. This same grade of oil sold as low as 10



cents a barrel this year. With this announced price as a base, an intricate schedule of minimum prices for petroleum and gasoline, with price differentials for different parts of the country, takes effect December 1. This is a development calculated to have a salutary effect upon the oil industry. Rounded out by effectual proration of production to be enforced by the Federal Government, it should bring order out of the confused and uneconomic conditions which have existed in the oil industry. That it also spells more profitable operations on the part of individual oil companies is indicated by the fact that with minimum prices in effect there will be no heavy inventory charge-offs this year as in years past.

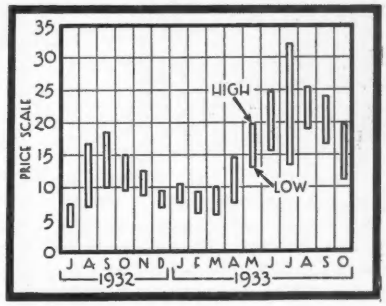
A choice of Continental Oil shares, quoted around 16, as a means of speculating in the more hopeful outlook for the oil industry has much to recommend it. The position of the company in the industry has undergone considerable strengthening during the past several years, with the result that it now ranks as one of the more important of the medium-sized units. Crude oil reserves are ample and are located in nearly all of the Mid-Continent and western producing states and Mexico. A large interest is held in the Kettleman Hills field, California. Conoco products are marketed in thirty states, but the largest proportion of retail outlets is concentrated in the Southwest, Middle West and Rocky Mountain states. An interest of nearly one-third is held in the Great Lakes Pipe Line Co., thereby providing the company with economical transportation of gasoline to the Great Lakes area.

The record of Continental reveals the wide variations in earning power inherent to the oil industry. In 1929, net income was more than $9,000,000; in the following year profits declined to about $256,000; and in 1931 and 1932, profits were displaced by losses of $12,045,575 and $1,444,133 respectively. The industry entered the current year under the burden of unfavorable conditions carried over from 1932, with the result that Continental Oil sustained large losses in both the first and second quarters. The total loss for the first six months was nearly $5,000,000. With the advent of the third quarter, however, the company's affairs underwent a decided change for the better. A profit of $2,893,990 for the September quarter was practically eight times greater than the profit for the same months of 1932. Thus, the loss for the nine months to September 30 was reduced to $2,061,979. In the first nine months of 1932 there was a profit equal to about 2 cents a share on the outstanding stock.

The latest balance sheet disclosed a strong financial position and the position of the 4,658,305 shares of capital stock has been strengthened by the retirement of more than $8,000,000 of funded debt during the past two years. The latter item now stands at $9,035,919. Coming into existence during the merger era of several years back, subsequent conditions have prevented a fair appraisal of the company's normal earning power. In this interim, on the other hand, the management has reduced costs and co-ordinated the various branches through the elimination of unprofitable units. Thus, the company is in a position to obtain its proper share of benefits deriving from more stabilized conditions in the industry. Incidentally, selected shares in the oil group, due to the feature of large inventories, are desirable hedges against inflation.

American Rolling Mill

AMERICAN ROLLING MILL has practically completed the successful refinancing of what less than a year ago appeared to be a formidable note maturity. Naturally, a considerable factor of uncertainty in-



volving the position of the company's shares has thus been removed. Holders of the $13,992,000 4½% notes which matured on November 1 were offered the choice of receiving payment in full or exchanging for a new issue of convertible notes bearing a 5% coupon and maturing on November 1, 1938. At any time during the life of these new notes holders may convert into common stock—40 shares for each $1,000 note.

At the height of the company's prosperity several years back, a program of plant expansion and modernization was inaugurated, having for its purpose the accommodation of the continuous rolling process completed after extensive research and experiment over a period of more than a decade. Unfortunately, the depression set in shortly after and the value of this process and the enlarged plant facilities, with relation to earning power, could not adequately be demonstrated. Practically all of the important steel manufacturing companies were licensed to use American Rolling Mill's process and the company doubtless would have derived considerable revenue from this source had it not been for the severe slump which hit the entire steel industry. As it is, however, the high hopes entertained by the company have merely been deferred, awaiting further progress along the road toward general business recovery.

Considering the severity with which depression swept over the steel industry, American Rolling Mill has not fared as badly as many of its brethren. A comfortable financial position has been maintained and close control of operating costs has been a prime contributing factor in offsetting a lower

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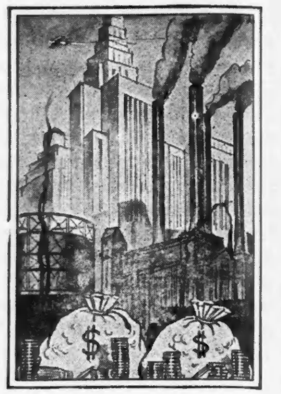
For Profit and Income



Good News of Sears

If a director's estimate of the sales made by Sears, Roebuck for the four weeks ended November 5, proves to be correct, the company will show the sharpest gain in business over the corresponding period of the previous year since 1929. The estimate is that sales for the four weeks to November 5 will be 20% above those of last year and 6% above those of the previous four-weeks period. For the four weeks ended October 8, last, Sears' sales were 8% above the 1932 period. This is particularly gratifying news in view of the none-too-bright reports of department store sales from certain cities. A real gain in retail trade generally from this point would probably do more to lift the depression than any other single factor.

* * *

Profit-Sharing Bonds

During this time when the principal question on everyone's lips concerns the likelihood of our having inflation, it seems that the convertible bond, or the bond with warrants, might well prove a popular investment medium, for the reason that this type of issue affords a measure of protection against such a contingency. Among issues which might be examined for their suitability to individual investment requirements are: American I. G. Chemical convertible 5½s, 1949, American Rolling Mill convertible 5s, 1938, American International convertible 5½s, 1949, Bohn Aluminum & Brass convertible 6s, 1938, British-American Oil convertible 5s, 1945, California Packing convertible 5s, 1940, California Petroleum convertible 5s and 5½s of 1939 and 1938 respectively, Chesapeake Corp. convertible 5s, 1947, Colon Oil convertible 6s, 1938, Commercial Investment Trust convertible 5½s, 1949, Federated Metals convertible 7s, 1939, General Steel Castings 1st 5½s, 1949, International Cement convertible 5s, 1948, Royal Dutch 4s, 1945, St. Joseph Lead convertible 5½s, 1941, Shell Union Oil 5s, 1949, Texas Corp. 5s, 1944, and Vanadium Corp. convertible 5s, 1941. There are, of course, tremendous differences in the investment quality of the bonds in this list which must be carefully determined since the profit-sharing privilege of many of them is remote.

* * *

Railroad Earnings

It is now possible to estimate railroad earnings for 1933 with a fair degree of accuracy. As a rough guide to the investment merit of the bonds, preferred and common stocks of this kind of enterprise, it may be said that, among roads in which there is an important security interest, the following appear to have a reasonable chance of covering fixed charges for 1933 by a margin as wide, or wider, than 30%; Achison, Topeka & Santa Fe, Chesapeake & Ohio, Chicago, Burlington & Quincy, Louisville & Nashville, Norfolk & Western, Pennsylvania, Reading and the Union Pacific. Among the roads which should end the year with fixed charges just about covered are: Baltimore & Ohio, Canadian Pacific, Erie, Illinois Central, New York Central, Northern Pacific, Southern Railway and the Texas & Pacific.

* * *

Repeal Voids Taxes

The day that the repeal of the Eighteenth Amendment is declared by the President draws very near. It means, however, much more than the mere fact that after the fatal day one will be able to obtain legally a drink of potent alcoholic strength. It means considerable tax relief, particularly to the hard-hit stockholder. For the purpose of financing the public works program in the National Recovery Act, Congress imposed four taxes, all of which are voided by Repeal. They are: (1) A ½ cent a gallon on gasoline (2) 5% on dividends paid to individuals (3) 1/10% on the capital stock of corporations (4) 5% on corporate profits in excess of 12½% of their self-fixed capital stock value. Repeal prior to January 1, means that the gasoline tax and the dividend tax are dead for 1934, but that if through any mischance Repeal should not be effected until sometime in 1934, these taxes would still be alive next year. Assuming Repeal either this year, or the first half of next, the capital stock tax will not be voided, for corporations on a calendar year basis, until 1935. For the excess profits tax, the crucial date is January 4, 1934. If Repeal is prior to this, these excess profits will not appear in income tax returns on March 15, 1935; if afterwards, they will so appear. Even the dryest of dry stockholders might well say: "As we are to have Repeal in any event shortly, then let it be this year."

* * *

Commodity Dividends

It is common practice these days for companies, when paying dividends, to enclose with the cheque a list of their products together with a little reminder that the company makes its money selling these things and that the stockholder might well do his bit by using them. But why not go one better and actually send samples? National Distillers is doing it—one case of whiskey for each five shares—to the tremendous gratification of fortunate stockholders. All the packaged food companies could take similar action. It would be delightful to receive several large cases of groceries every three months. On the other hand, the stockholder in Baldwin Locomotive or New York Shipbuilding . . . . !

Taking the Pulse of Business

—Business Declines Further

—Steel at 26 Per Cent of Capacity

—Metal Prices Rally

—Petroleum Prospect Brighter

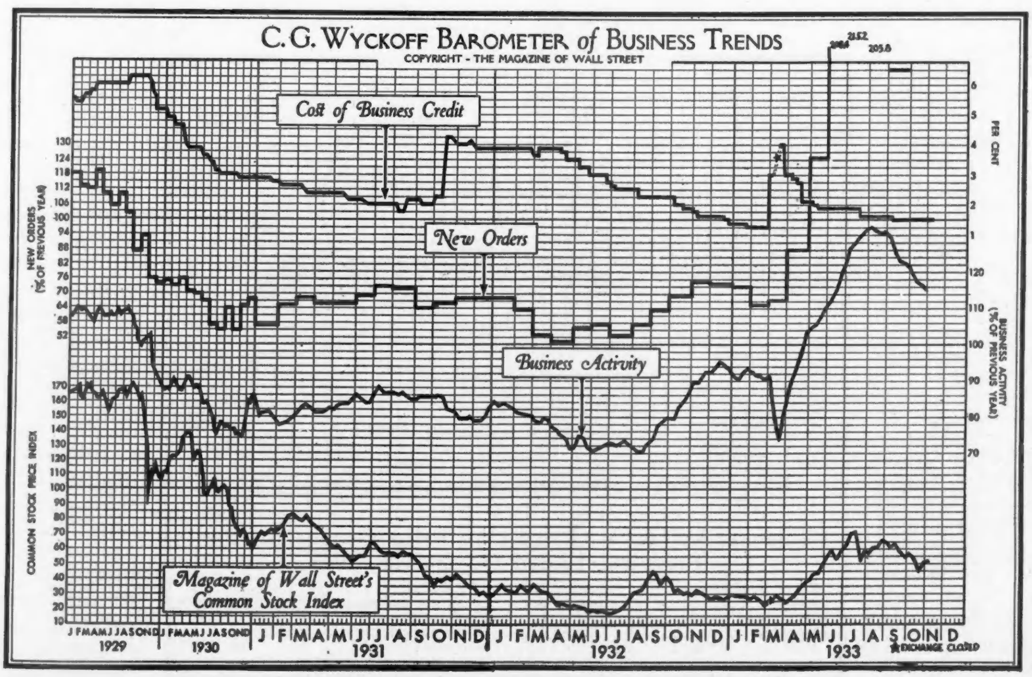
—Shoe Industry Slower

BUSINESS activity in the past fortnight has continued the gradual recession evident since the first phase of recovery reached its peak in mid-July. As compared with July, the cumulative loss to date is of disappointing proportions—sufficient, in fact, to create some doubt in the minds of impatient observers as to the inherent strength and permanence of the recovery movement. At a time when confidence is so badly needed, however, we are inclined to place emphasis not upon our economic losses but upon the very real gains that have been maintained. Since March, 3,600,000 individuals have been put back to work, according to the reports of the American Federation of Labor. Moreover, industrial production for October was 25% above the March figure.

While operations in the steel industry have dropped to 26% of capacity and give no indication of important improvement during the remaining weeks of the year, the current rate is well above the level of a year ago. Pig iron production in October declined nearly 12%, as compared with the September figure, but nevertheless was 105% above the level of October, 1932. Since much of the summer spurt in steel rested upon forward buying, there is no occasion for surprise in the decline of recent weeks. As President Roosevelt has pointed out, in discussing economic conditions in a recent press conference, there is no evidence that the consuming outlets justified steel operations at 59% of capacity in July. On the other hand, it is now believed that consuming demand, while still acutely sub-normal, is turning up. Reflecting public works, construction contracts are showing considerable improvement. According to reports to the President, demand for machine tools has also continued to improve. Use of government credit is expected to result in some increase in railroad buying of rails. The lag in the automobile industry is believed to be no more than seasonal and should be followed ultimately by renewed takings of steel.

There is, of course, scant reason to expect that the capital goods industries can recover to anything like normal activity until the present period of monetary uncertainty is ended with a return to the gold standard. With the help of governmental stimulation, however, it is not impossible that the heavy industries can experience at least a moderate improvement when the second phase of recovery begins.

We see no reason as yet to doubt that there *will* be a second phase of recovery. On the evidence now available the business recession of recent weeks can not be regarded as other than the natural secondary reaction inevitably forecast when production jumped with unprecedented and wholly abnormal speed between March and July. The rate of recovery in that period was more than three times as fast as any ever previously experienced during a similar period. Indeed, within a space of five months, industrial activity, as measured by the Federal Reserve index, experienced a movement equal to, if not exceeding, the complete scope of advance in most complete pre-war business cycles. This was due in part to the severity and protracted dura-



tion of the depression, with consequent abnormal decline in stocks of goods, but in greater measure to an abnormal volume of forward buying touched off by inflationary measures.

A breathing spell should be wholesome, permitting the gradual working off of stocks of goods accumulated in almost all lines during the spring and summer. While monetary uncertainty clearly has become a business obstacle, rather than a business stimulant, much comfort can be derived from the fact, as reported in an exhaustive survey by the League of Nations early in October, that economic revival is in progress throughout the civilized world. This underlying surge should be capable of absorbing such mistakes as America makes in her impatience to accelerate natural recovery.

The Trend of Major Industries

STEEL—With tin plate about the only sustaining factor, for motor car makers are stocked for several months ahead, and with miscellaneous demand thinly scattered, steel mill operations are officially reported to have dropped to around 26% of capacity. This is a low rate compared with the year's maximum of 56%; but is still six points higher than the 20% rate a year ago. In view of the slack demand for capital goods just now, there is little expectation of any substantial revival in activity before next year. Then, however, a fair volume of orders for steel from the Government's construction program, and upwards of a million tons of rails and fastenings for delivery early next year, may be ordered in consequence of the recent agreement between producers and President Roosevelt on a reduction in rail price to $36,375 per gross ton. Deliveries on these orders should be spread over a period of at least four months; but will enable rail mills of the country, whose annual capacity is about 3,500,000 tons, to operate at a high rate while the business lasts. Since total capacity for all steel products is about 70,000,000 tons a year, the rail business should account for nearly 4% of the entire operating rate during the first quarter of next year.

METALS—Metal prices have rallied fairly well in response to revival of inflation talk; but demand is still spotty. Tin remains in strong statistical position, with consumption well above last year, and prices firm. The international cartel, restricting production, has been renewed for three years to January 1, 1937. Life of the international zinc cartel, restricting production to 50% of capacity, has been extended to July 31, 1934.

PETROLEUM — The country's output of crude last week was throttled down to within 20,000 barrels of the government allowable. For December and January, months of slackened consumption, the allowable has been reduced by 208,500 to a daily average of 2,130,000 barrels. So long as the Government keeps a firm rein upon production, the outlook for this industry will be distinctly constructive. Gasoline stocks, however, are still above those of a year ago, and require reduction before the gasoline price structure can be regarded as stable. Prospects for higher taxes on natural gas place a temporarily unfavorable aspect upon that branch of the industry, though ultimately these will be offset by higher prices.

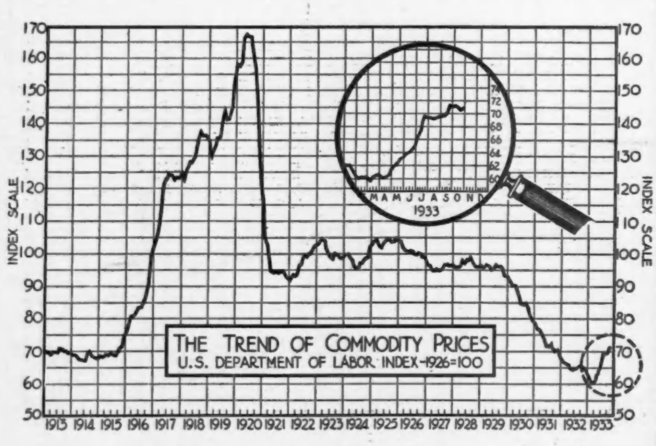
RAILROADS—September net railway operating income is estimated to have been about 1% less than in August; but 22% better than for last September. September gross, on the other hand, was only about 7% above last year. Based upon the first nine months' operations, it is believed that 16 out of the 45 largest roads will report earnings for the calendar year in excess of fixed charges. This shows good improvement from conditions obtaining a year ago; but, in the absence of further substantial betterment next year, the Railroad Securities Committee concludes that a number of roads will have to continue borrowing from the R. F. C. or go into receivership. The Committee believes that maintenance has in most instances been adequate to keep the plant in condition to handle the present volume of traffic, and consequently that extensive purchases of equipment at this time are neither prudent nor necessary.

LEATHER—Sharp declines in the price of hides last month have been attributed partly to the inferior grade of product which is usually offered at this season, and partly to a slackening in orders for shoes. Despite the recession, however, it is estimated that shoe production this year will be the highest of any year except 1929.

TOBACCO—While sales of the major tobacco products continue to exceed those of last year, the new processing tax and somewhat higher payrolls have reduced profit margins. Fears of higher taxes may also have played a part in the recent weakness of tobacco securities.

Conclusion

Compared with conditions last year in this season, business still shows gratifying improvement in many directions, with the general level of activity up approximately 16% from a year ago and with nearly 4,000,000 workers reemployed. In the main, third-quarter reports make a favorable comparison with those of 1932. Dividend resumptions or increases are in encouraging number. The fourth-quarter prospect is less favorable than was that of the second and third quarters, but is better than that of the first quarter. It is possible to hope that the present period will prove a time of consolidation, prior to renewed recovery.

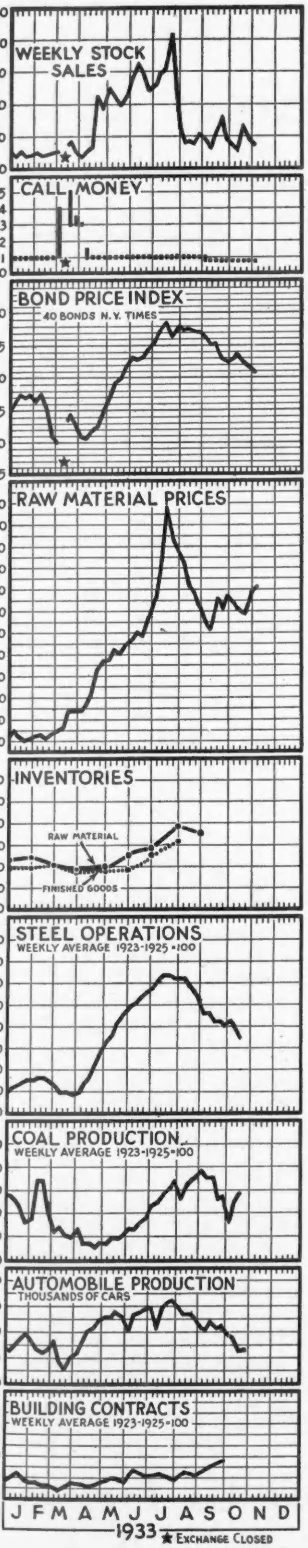


Changes in Major Commodity Price Groups for the Fortnight Ended October 28, 1933

Farm products	down	1.1	Metals	up	0.1
Foods	down	0.6	Building materials	down	0.4
Hides and leather	down	1.1	Chemicals	no change	
Textiles	up	0.1	Housefurnishings	up	0.1
Fuel and lighting	up	0.7	Miscellaneous	up	0.2

The Magazine of Wall Street's Indicators

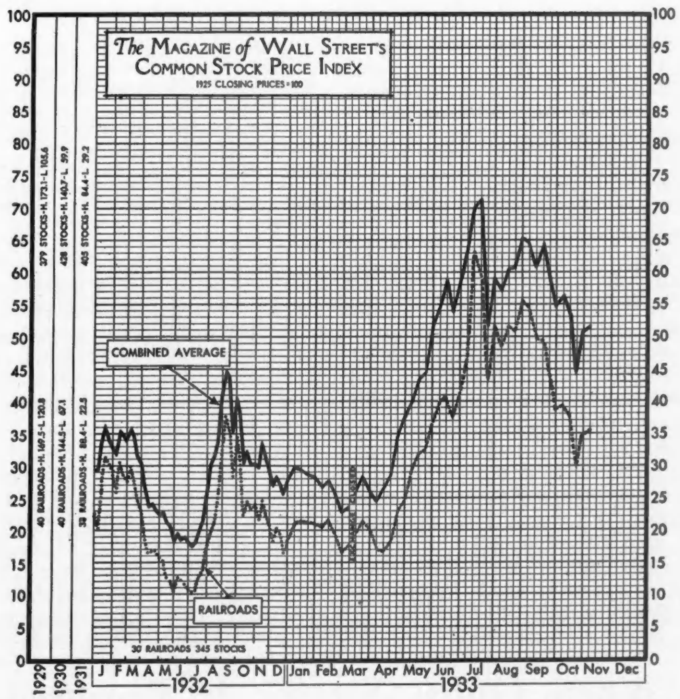
Business Indexes



Common Stock Price Index

1932 Indexes High 45.0	Low 17.5	Close 27.4	Number of Issues 280	COMBINED AVERAGE (1925 Close—100)	1933 Indexes High 71.3	Low 22.7	Oct. 21 44.0	Oct. 28 50.8	Nov. 4 51.5
66.8	17.9	32.3	3	Agricultural Implements	116.0	26.8	64.8	76.3	75.6
59.3	11.4	16.9	6	Amusements	37.8	7.3	25.3	28.7	27.9
31.3	10.7	17.5	14	Automobile Accessories	50.9	12.4	29.1	33.9	34.4
17.6	5.8	10.6	14	Automobiles	22.7	7.3	13.2	15.1	15.2
62.5	16.2	56.2	4	Aviation (1927 Cl.—100)	102.9	41.8	51.4	60.1	61.2
13.1	4.8	5.6	3	Baking (1926 Cl.—100)	26.5	5.1	12.1	14.6	13.5
129.9	60.1	96.0	2	Biscuit	157.5	79.9	123.5	132.8	134.4
83.8	29.6	47.4	5	Business Machines	128.8	39.8	77.7	90.0	89.2
119.0	51.0	101.5	2	Cans	175.5	92.9	152.9	168.0	166.2
113.3	53.6	96.3	8	Chemicals & Dyes	278.7	73.2	196.1	220.9	230.6
44.3	13.1	18.9	2	Coal	45.9	12.0	23.2	25.2	23.7
24.8	9.9	14.2	14	Construction & Build. Mat.	38.7	11.2	23.1	26.6	26.8
57.2	14.9	24.0	8	Copper	86.4	21.2	51.2	66.7	68.1
57.8	28.3	32.6	2	Dairy Products	47.7	23.0	26.5	29.3	28.6
16.3	4.5	7.9	7	Department Stores	27.3	6.6	15.8	17.3	18.2
74.3	35.1	53.7	8	Drug & Toilet Articles	89.0	45.3	56.7	62.8	63.0
63.9	28.7	42.2	4	Electric Apparatus	104.0	35.6	60.0	67.8	73.3
58.7	23.7	33.2	2	Finance Companies	104.6	33.2	77.0	85.0	85.2
56.1	28.3	39.5	5	Food Brands	75.2	32.6	49.4	55.3	56.2
56.4	33.9	49.6	3	Food Stores	77.5	40.5	48.7	52.0	53.2
41.8	11.7	17.0	2	Furniture & Floor Covering	58.0	13.8	37.9	43.7	43.0
527.8	357.9	514.0	2	Gold Mining	1365.0	482.1	1031.0	1294.0	1257.0
21.1	9.6	12.4	4	Household Equipment	30.3	10.5	21.5	23.3	23.2
31.5	9.5	22.0	7	Investment Trusts	38.0	14.5	20.5	24.1	23.7
27.4	7.7	20.0	2	Mail Orders	47.4	13.5	28.8	33.7	35.1
55.8	19.3	30.1	7	Metal Mining & Smelting	126.2	30.1	90.2	112.9	116.2
42.4	21.6	33.2	24	Petroleum & Natural Gas	83.4	29.3	60.1	68.7	70.1
22.5	6.2	9.8	4	Phonos. & Radio (1927-100)	30.2	6.7	17.2	18.7	19.6
94.9	37.1	63.5	20	Public Utilities	104.0	40.8	51.7	55.4	53.0
37.8	12.0	17.7	8	Railroad Equipment	69.4	17.7	41.7	46.8	49.5
37.8	10.4	18.1	29	Railroads	63.0	16.3	30.0	34.6	35.4
44.4	14.9	27.0	2	Restaurants	38.9	19.9	20.2	23.1	20.5
89.9	58.0	60.8	2	Soft Drinks (1926 Cl.-100)	148.6	57.8	115.4	126.5	132.9
45.9	11.7	23.3	7	Steel & Iron	69.1	19.1	34.4	41.6	43.0
12.4	3.8	7.3	3	Sugar	29.5	7.3	20.7	24.9	25.5
121.6	53.9	112.1	2	Sulphur	198.1	79.3	166.4	194.4	198.1h
57.2	21.0	35.9	3	Telephone & Telegraph	82.3	28.1	48.6	56.6	57.5
52.5	16.3	30.1	5	Textiles	82.2	22.5	42.6	49.8	49.2
11.0	2.5	4.4	4	Tires & Rubber	15.1	3.0	7.8	10.7	11.0
68.6	40.8	48.2	4	Tobacco	90.2	46.2	73.5	76.0	71.4
57.0	17.9	22.7	3	Traction	55.7	22.3	42.2	45.4	45.0
50.9	23.3	34.3	2	Variety Stores	52.9	23.3	35.0	38.0	38.8

h—New high this year.



(An unweighted index of weekly closing prices; compensated for stock dividends, splitups, and rights; and covering about 90% of the volume of transactions in all Common Stocks listed on the New York Stock Exchange.)

PERSONAL SERVICE SECTION

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET will answer, by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested, or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your request to *three listed securities.*
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
4. If not now a paid subscriber, use coupon elsewhere in this issue and send check at same time you transmit your first inquiry.

Special rates upon request for those requiring additional service.

STANDARD BRANDS, INC.

I thought Standard Brands' prospects as a liquor stock would see it selling well above today's prices. Do you think its recent high too liberally discounted its early prospects? Would you continue to hold 100 shares of this stock bought at 41½ in 1929?—M. T. K., Detroit, Mich.

In our opinion, Standard Brands stock retains all of its potentialities for profit in the liquor business upon the repeal of prohibition, and in addition, it offers the stability of a well-established and diversified business in food products. For the three months ended September 30, 1933, net income was $3,669,448 equivalent after preferred dividends to 28 cents a common share, showing small but steady improvement over the results equal to 27 cents a share for the July quarter of this year, and 24 cents a share for the September quarter of 1932. This backlog of stable profits during a period of depression adds a conservative element to the speculative possibilities, through the subsidiary which was an important factor in the liquor industry for many years before prohibition and which is now reported to have started bottling its output in anticipation of repeal. Arrangements have been made for marketing the entire liquor output of this subsidiary, when sales become legal. Inasmuch as you have carried your holdings all through the depression, you are doubtless prepared to exercise patience for a reasonably longer period, which we believe should be well rewarded. Consequently, we advocate the retention of your holdings of Standard Brands.

STANDARD OIL CO. OF INDIANA

I have been strongly advised to buy Standard Oil of Indiana shares. But, in reading up on this company, I learn that it is involved in a suit over the sale of its Pan American properties—that it now buys practically all of its crude oil. Do you think this an unfavorable factor?" What is your opinion on the purchase of this stock now?—B. T., Minneapolis, Minn.

The suit to which you refer is one filed in the name of a minority stockholder alleging that large profits were improperly made by certain officers or directors of Standard Oil Co. of Indiana in connection with the control of stock of Pan American Petroleum & Transport. In answering the charges, attorneys for Standard Oil of Indiana point out that the action complained of took place six years ago, was of definite benefit to Standard of Indiana, and that seven of the defendants were not at that time connected with nor interested in Standard Oil of Indiana. The answer further states that the price at which these individuals turned over control of Pan American to Standard of Indiana was no greater than the price the company paid for similar shares elsewhere, and in fact was lower than offers which the defendants had received from other sources. In any event, the suit has little bearing upon the business or market status of Standard Oil of Indiana. Although some of its producing properties have been sold to Standard Oil of New Jersey for cash and a large block of the latter's stock, Standard Oil of Indiana remains a large producer and it cannot be said that it buys all of its crude oil. The company is the leading refiner and marketer of gasoline and other petroleum products in the Middle-West, producing about 42% of its total crude requirements. Although no figures are available for a period later than 1932, when earnings were equivalent to $1.04 a share, covering the dividend needs by a very small margin, it is believed that the higher prices and more stable conditions prevailing under the oil code should offset the higher cost thereunder, so that better results should be achieved this year. With its capable management and strong finances, having current assets more than nine times current liabilities according to the latest report, Standard Oil of Indiana is considered an outstanding representa-

(*Please turn to page* 91)

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Just Off The Press—

A New Book, in Which Two Famous Experts Collaborate

The Business of Trading in Stocks

By *John Durand and A. T. Miller*

Including a Formula for Determining Common Stock Values in this Second Phase of Economic Recovery

A new book; 169 pages, rich, flexible binding, lettered in gold. Profusely illustrated with graphs and tables clearly explaining how to make profits and above all—how to keep them.

THE Business of Trading in Stocks gives a clear, authoritative exposition of the fundamental principles essential to successful trading under present-day market conditions—written by two experts who know trading and know how to explain this profitable subject so that the average business man can understand and apply the principles for his own profit.

An important feature is Mr. Durand's **formula for determining common stock values.** You will find this formula of great value and of particular importance as a businessmen-investor, as it gives the right angle on stock market technique, that will add considerably to your investment knowledge. Every branch of trading is included, from evolving your plan to final decision as to WHAT and WHEN to BUY and SELL. Charts and graphs of well-known securities are used to illustrate and clarify the more technical Methods of Trading.

We have selected this volume for our Special Offer at this time, because its timely practical appeal, and simple presentation, make it a book that every businessman-investor and trader will appreciate and use—especially as it contains many of the principles upon which the experts of THE MAGAZINE OF WALL STREET base their judgment in the selection of securities for our readers.

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(Continued from page 88)
tive of the oil industry. We favor the purchase of the shares at prevailing market prices.

GREAT NORTHERN RAILWAY CO.

What is your present opinion of Great Northern preferred? Why is it now selling back at one half its high for the year? To what extent do you believe the wheat embargo will affect its earnings if enforced? Do you advise me to sell or hold 150 shares averaging 49⅜?—R. M. D., Kansas City, Mo.

In the early days of its history, the Great Northern Railway was regarded as one of the important "granger" roads of the Northwest; but with the development of industry witnessed during the past quarter of a century, the percentage of revenues derived from the transportation of agricultural products to gross revenues has consistently declined. Admittedly, agriculture is still an important factor in the traffic volume of Great Northern, but 1932 statistics reveal that only 28.6% of the road's freight business was contributed by such products. In the same year, products of mines as a whole accounted for approximately 36.5% of the Great Northern's freight traffic. It can therefore be seen from the foregoing statistics that ore has replaced agriculture in importance, as it relates to volume of traffic and earnings of Great Northern. In fact, the striking recovery witnessed during the late spring and summer months of this year has been attributed for the most part to the unusually heavy shipment of ore over the company's lines. Grain loadings lagged consistently during this period. Obviously, the embargo on wheat recently ordered by Governor William Langer of North Dakota, resulting from a sharp drop in prices for wheat during the recent past, will considerably reduce the amount of revenues derived by Great Northern from this commodity during early ensuing months at least. On the other hand, this development should not be looked upon with alarm, since any step-up in industrial activity doubtless will result in increased ore loadings, thereby more than counterbalancing such losses. During recent weeks, traffic has been adversely affected by the declining activity of the steel mills; but it is expected that improved buying of rails and equipment by substantially all of the carriers will provide the necessary fillip in the right direction. In fact, recent estimates indicate that full 1933 returns will closely approximate total fixed charges on the road's funded debt; in contrast with coverage of only 32% for the calendar year 1932. The fiscal position of Great Northern is entirely satisfactory, total current assets as of August 31, 1933, amounting to $26,565,001 against total current liabilities of $12,945,999. Funded debt maturing within six months amounted to only $283,000. In the light of the foregoing, we are inclined to maintain a moderately favorable attitude toward the preferred shares and counsel against disturbing your position at current deflated prices.

AMERICAN MACHINE & FOUNDRY CO.

Please give me your opinion of American Machine & Foundry. Do you believe its early prospects for cigarette machinery demand, and earnings from cigar royalties, are fully discounted at current prices? Would you advise me to hold or sell 100 shares bought at around 33?—S. C., Louisville, Ky.

During the first six months of this year, new orders for cigarette machinery declined to a low point, since the industry is well supplied with existing types of machinery. Nevertheless, consolidated income account of American Machine & Foundry Co. and subsidiaries for the first half of 1933 showed net profit of $449,729 including dividends received from its subsidiary, International Cigar Machinery Co., equivalent to 45 cents a share on the common, covering the proportionate dividend needs by a small margin. This compares with income of $604,655 or 60 cents a share in the first half of 1932. As of June 30, 1933, the enterprise was in excellent financial condition, with current assets of $4,028,312 including $2,696,683 cash and marketable securities, against current liabilities of only $488,245. International Cigar Machinery Co. also reported a decline in earnings, reflecting the reduction in cigar output in the first half of the year, but the trend toward machine manufacture of cigars continues. It is understood that new machines have been in process of development for a considerable time and have now reached the stage of experimental operations. These machines are calculated to increase greatly the speed of production of cigarettes, and new cigar-making machines are also being developed which will nearly double the output of the present machines. It is expected that these machines will be leased on a royalty basis providing for a division of the saving due to this increase in volume, between the cigar maker and the company. These developments all point to higher earnings for American Machine & Foundry over a reasonable period of time, so that we advise you to hold your stock in this company for further speculative price appreciation.

ATLANTIC REFINING CO.

I understand that the Atlantic Refining Co. purchases most of its crude oil—and I am wondering how the recent crude advances have affected its earnings. Do you think the retail price advance planned for December 1 will more than offset increased raw material costs? Would you advise buying 100 shares of this stock now?—T. M. V., Yonkers, N. Y.

Earnings of Atlantic Refining Co. for the three months ended September 30, last, rose sharply to $5,710,159 or $2.12 a share on the common stock from $1,063,100 or 39 cents a share in the September quarter of 1932. The improvement was largely the result of higher prices and increased volume of gasoline sales, coupled with the absence of inventory write-offs. Hence the company was able to offset a net loss of $1,001,659 incurred during the first half of the current year, and report net profit of $4,708,500 or $1.74 a common share for the first nine months of the year. This compares with net of $4,248,000 or $1.58 a share for the corresponding interval of 1932. Results in the final quarter of 1933 are not likely to be as favorable as those registered in the September quarter, due to increased operating costs under the N R A code, coupled with the pending price advance for crude oil effective December 1, as well as the seasonal decline in sales volume. Of course, a possible increase in retail prices after December 1 is a favorable factor to be taken into consideration. Despite the anticipated earnings decline in the fourth quarter, recent estimates indicate that full 1933 returns will exceed $2 a share against actual profits of $1.45 a share reported for 1932. As a result of the currently improved status of the oil industry as a whole, the outlook for Atlantic Refining is more favorable, which factor, coupled with the excellent financial condition of the company, amply justifies accumulation of the shares around current prices.

GENERAL MILLS, INC.

Do you advise the purchase of General Mills at current prices? My broker recommends it as an outstanding investment but I note that the 1929 high was only 89⅛, and I wonder if this stock offers the same profit opportunities as other issues of the same investment rating.—R. O. L., Boston, Mass.

Although it is true that the stock

(Please turn to page 95)

New York Stock Exchange

RAILS

	1931		1932		1933		Last Sale 11/1/33	Div'd $ Per Share
A	High	Low	High	Low	High	Low		
Atchison	202⅜	79¼	94	17⅞	80⅛	34⅝	46	..
Atlantic Coast Line	120	25	44	9¾	59	16½	29	..
B								
Baltimore & Ohio	87⅞	14	21⅜	3¾	37⅞	8¼	21½	..
Brooklyn-Manhattan Transit	69⅜	31⅛	50¼	11⅛	41¼	21¾	26¾	..
C								
Canadian Pacific	45⅜	10¾	20⅝	7¼	20⅞	7½	12⅞	..
Chesapeake & Ohio	46½	23⅜	31½	9¾	49¼	24⅝	38	2.80
C. M. & St. Paul & Pacific	8⅞	1½	4½	¾	11¾	1	4⅝	..
Chicago & Northwestern	45½	5	14½	2	16	1¼	7⅛	..
Chicago, Rock Is. & Pacific	65½	7⅞	16⅜	1½	10⅛	2	3⅞	..
D								
Delaware & Hudson	157¼	64	92½	32	93¾	37⅝	45¾	..
Delaware, Lack. & Western	102	17¾	45⅞	8½	46	17¼	21¾	..
E								
Erie R. R.	39¾	5	11¾	2	25¾	3¾	13¼	..
G								
Great Northern Pfd.	69¾	15⅝	25	5½	33¾	4⅝	16¼	..
H								
Hudson & Manhattan	44½	26¼	30¾	8	19	6½	9	..
I								
Illinois Central	89	9⅛	24⅞	4¾	50¾	8½	23⅝	..
Interborough Rapid Transit	34	4⅝	14⅝	2¼	11⅝	4⅛	8¼	..
K								
Kansas City Southern	45	6⅞	15¼	2¼	24⅞	6½	10¼	..
L								
Lehigh Valley	61	8	29¼	5	27¾	8⅝	12⅞	..
Louisville & Nashville	111	20¼	38¼	7½	67½	21¼	40¼	..
M								
Mo., Kansas & Texas	26¾	3⅞	13	1¼	17⅛	5¾	7¼	..
Missouri Pacific	42¾	6⅝	11	1½	10¼	1⅛	3¾	..
N								
New York Central	132¼	24⅞	36⅝	8¾	58½	14	29⅝	..
N. Y., Chic. & St. Louis	88	2½	9¾	1½	27⅝	2⅛	13¾	..
N. Y., N. H. & Hartford	94⅞	17	31⅝	6	34⅞	11⅛	14⅞	..
N. Y., Ontario & Western	13⅞	5¼	15¾	3⅝	15	7⅝	8	..
Norfolk & Western	217	105⅝	135	57	177	111½	147½	8
Northern Pacific	60⅞	14½	25⅜	5½	34⅞	9⅝	17¾	..
P								
Pennsylvania	64	16¼	23⅜	6½	42¼	13¾	25¼	½
S								
St. Louis-San Fran	62¾	3	6⅝	⅝	9	⅞	2½	..
Southern Pacific	109½	26½	37⅝	6½	38¾	11⅛	18¾	..
Southern Railway	65⅞	6⅜	18½	2½	36	4⅛	20¼	..
U								
Union Pacific	205⅛	70⅛	94½	27⅝	132	61¼	105	6
W								
Western Maryland	19⅝	5	11⅜	1½	16	4	8	..

INDUSTRIALS AND MISCELLANEOUS

	1931		1932		1933		Last Sale 11/1/33	Div'd $ Per Share
A	High	Low	High	Low	High	Low		
Adams Express	23½	3⅛	9½	1⅝	13¾	3	7¼	..
Air Reduction, Inc.	109¾	47⅝	43½	30⅞	112	47½	96½	*3¾
Alaska Juneau	20⅛	7	16⅝	7¾	33	11⅛	27	*.75
Alleghany Corp	12¾	1⅛	3⅝	⅜	8¼	⅞	3⅜	..
Allied Chemical & Dye	182¾	64	88¼	42½	145½	70¾	128	6
Allis Chalmers Mfg	42¾	10½	15⅜	4	26⅜	6	15¼	..
Amer. Brake Shoe & Fdy	38	13½	17⅞	6½	42½	9⅛	28	.60
American Can	129¾	58⅛	73⅞	29⅝	98¼	49½	89	4
Amer. Car & Fdy	38¾	4½	17	3⅛	39¾	6⅛	20½	..
Amer. Com'l Alcohol	14½	5	27	11	89⅞	13	51	..
American Ice	31⅝	10½	21⅝	3⅜	17½	3¾	7	..
Amer. International Corp	26	5	12	2½	15⅛	4¼	7⅞	..
Amer. Mchy. & Fdry	43¾	16	22¼	7½	22⅜	8¾	14	.80
Amer. Power & Light	64⅞	11⅝	17¼	3	19⅞	4	7¼	..
Amer. Radiator & S. S.	21½	5	12¼	3⅛	19	4⅝	12⅛	..
Amer. Rolling Mill	37⅜	7⅜	18½	3	31⅞	5¾	14⅞	..
Amer. Smelting & Refining	58½	7½	27¼	5⅛	53½	10¾	46½	..
Amer. Steel Foundries	31¼	5	15⅛	3	27	4⅝	6½	..
Amer. Sugar Refining	60	34½	39¼	13	74	21½	50⅞	2
Amer. Tel. & Tel.	201¾	112⅛	137⅜	70¼	134¾	86½	110⅝	9
Amer. Tobacco Com.	128¾	60½	86¾	40½	90½	49	69⅞	5
Amer. Tob. B	132¾	64	89¾	44	94¾	50¾	72	5
Amer. Water Works & Elec.	80¾	23⅛	34½	11	43¼	10⅞	18⅝	1
Amer. Woolen	11⅞	2⅝	10	1⅝	17	3½	10¾	..
do Pfd	40	15¼	39⅞	15½	61⅞	22⅝	50½	..
Anaconda Copper Mining	43¼	9¼	19⅜	3	22⅞	5	14⅝	..
Armour Ill. A	4½	¾	2¾	⅝	7¾	1⅛	3¼	..
do B	2⅞	½	2	⅜	5	¾	2⅛	..
Atlantic Refining	23⅝	8⅝	21⅞	8⅝	31⅞	12⅜	29	1
Auburn Auto	295½	84½	151¾	28¾	84¼	31	36½	2
Aviation Corp. Del	6⅛	[illegible]	8⅞	1½	16⅜	5½	7	..
B								
Baldwin Loco. Works	27⅞	4⅝	12	2	17⅝	3½	10½	..
Beatrice Creamery	81	37	43½	10½	27	7	11¾	..
Bendix Aviation	25½	12⅝	18¾	4½	21¼	6⅛	11¾	..
Best & Co.	46¼	19¾	24⅞	5¾	33⅛	9	21½	.25
Bethlehem Steel Corp	70⅛	17¼	29⅝	7¼	49¼	10⅛	28¾	..
Bohn Aluminum	43	15½	22¼	4⅞	54½	9½	42¾	1
Borden Company	76½	35⅛	43⅛	20	37⅜	18	21¾	1.60
Borg Warner	30¾	9	14¼	3⅜	21⅝	5½	14	..
Briggs Mfg.	22¾	7½	11¾	2⅞	14⅝	2⅝	8	..
Burroughs Adding Mach	32¼	10	13¼	6¼	20⅞	6⅛	12⅝	.40
Byers & Co. (A. M.)	69¾	10⅞	24⅝	7	43¼	8½	20	..

Price Range of Active Stocks

INDUSTRIALS AND MISCELLANEOUS (*Continued*)

	1931 High	1931 Low	1932 High	1932 Low	1933 High	1933 Low	Last Sale 11/1/33	Div'd $ Per Share
C								
California Packing	53	8	19	8	34¾	7¾	18½	..
Canada Dry Ginger Ale	45	10⅜	15	6	41½	7½	25½	1
Case, J. I.	131½	33¼	65¾	16¾	103½	30½	63¾	..
Caterpillar Tractor	52½	10¼	15	4⅜	29¾	5½	18½	..
Cerro de Pasco Copper	30⅛	9⅞	15½	3½	44¾	5⅞	36¾	..
Chesapeake Corp	54⅛	13⅞	20¾	4⅞	52½	14⅞	30¼	2
Chrysler Corp	25¾	11¾	21¾	5	52⅞	7¾	39⅜	.50
Coco-Cola Co.	170	97½	120	68½	105	73½	96¼	6
Colgate-Palmolive-Peet	50½	24	31½	10¼	22⅜	7	13¼	..
Columbian Carbon	111⅝	32	41⅞	12½	71½	23⅛	51	2
Colum. Gas & Elec.	45⅝	11⅝	21	3¼	28⅛	9	12	§.50
Commercial Credit	23¼	8	11	3⅞	19	4	13½	..
Comm. Inv. Trust	34	15½	27⅞	10⅞	43½	18	33½	2
Commercial Solvents	21½	6⅝	13¾	3½	57¼	9	32¼	.60
Commonwealth & Southern	12	3	5⅛	1⅝	6⅛	1⅜	2	..
Congoleum-Nairn	14¾	6⅞	12¼	6½	27⅝	7⅜	21¾	1
Consolidated Gas of N. Y.	109⅝	57¼	68¾	31½	64⅛	38¾	38¾	3
Consol. Oil	15⅞	4⅛	9	4	15¾	5	10¾	..
Continental Baking Cl. A	30	4½	8	2⅞	18¼	3	9	..
Continental Can, Inc.	62¾	30¼	41	17⅝	69	35¼	62⅞	2½
Continental Insurance	51⅞	18⅛	25¼	6¾	36½	10½	24½	1.20
Continental Oil	12	5	9⅜	3⅝	19⅝	4⅞	16⅝	..
Corn Products Refining	86⅝	36¼	55⅜	24¾	90⅝	45⅜	75	†3
Crown Cork & Seal	38¼	13¾	23⅞	7⅞	65	14¼	31	..
Cudahy Packing	48⅞	29	35½	20	59½	20¾	38	2½
Curtiss Wright, Common	5⅞	1	3¼	⅞	4⅜	1½	2⅜	..
D								
Diamond Match	23	10⅝	19⅛	12	29½	17½	25½	1
Dome Mines	13½	6⅝	12⅞	7½	39½	12	37⅞	*1.80
Dominion Stores	24	11	18½	11¼	26⅜	10½	19⅜	1.20
Douglas Aircraft	21¼	7⅞	18⅝	5	18¼	10¼	13½	¾
Du Pont de Nemours	107	50¾	59¾	22	85¾	32⅛	75¾	2
E								
Eastman Kodak Co.	185¾	77	87⅞	35¼	89¾	46	70½	3
Electric Auto Lite	74⅜	20	23¾	8½	27½	10	14	..
Elec. Power & Light	60¾	9	16	2¾	15⅜	3⅛	5⅜	..
Elec. Storage Battery	66	23	33¼	12⅝	54	21	39½	2
F								
Firestone Tire & Rubber	21½	12⅞	18⅞	10½	31½	9⅛	17⅞	.40
First National Stores	63	41	54½	35	70¾	43	50	2½
Fox Film Cl. A.	38⅜	2½	5⅞	1	19	12	14¼	..
Freeport Texas Co.	43¼	13¼	28⅝	10	47⅜	16⅛	43¼	2
G								
General Amer. Transport	73⅛	28	35¾	9½	43¼	13¾	28	1
General Asphalt	47	9⅝	15½	4¾	27	4⅝	13¾	..
General Baking	25⅝	9½	19⅝	10½	20⅞	11½	13	1
General G. & E. A.	8½	1¼	2¾	⅜	2⅞	⅝	1	..
General Electric	54¾	22⅞	26⅛	8½	30¼	10½	18⅜	.40
General Foods	56	28¼	40½	19⅝	39⅞	21	34	1.80
General Mills	50	29⅛	48½	28	71	35½	64	3
General Motors Corp	48	21⅜	24⅝	7⅝	35¾	10	27⅛	1
General Railway Signal	84⅛	21	28⅝	6⅛	49½	13¼	28	1
Gillette Safety Razor	38¾	9¼	24¼	10⅜	20¼	9¾	10¾	1
Gold Dust Corp	42⅛	14½	20⅝	8¼	27⅜	12	17	1.20
Goodrich Co. (B. F.)	20⅞	3⅜	12⅜	2¼	21½	3	12⅝	..
Goodyear Tire & Rubber	52¾	13¾	29¾	5½	47½	9¼	31⅜	..
Gulf States Steel	37½	4	21⅛	2½	38	6¾	17	..
H								
Houston Oil of Texas (New)	14	3	28¼	8¾	7⅜	1⅞	4½	..
Hudson Motor Car	26	7¾	11¾	2⅞	16⅜	3	9⅜	..
Hupp Motor Car	13⅛	3¾	5⅜	1½	7¾	1⅝	3⅝	..
I								
Ingersoll-Rand	182	25⅜	44⅞	14¾	78	19⅛	50	1½
Inter. Business Machines	179¾	92	117	52½	153¼	75¾	130¼	6
Inter. Cement	62½	16	18¾	3⅝	40	6⅛	29¼	..
Inter. Harvester	60½	22⅜	34⅛	10⅜	46	13⅝	35⅞	.60
Inter. Nickel	20⅛	7	12½	3½	22⅜	6¾	19¾	..
International Shoe	54	37	44⅜	20¼	56⅜	24⅜	40¼	2
Inter. Tel. & Tel.	38¾	7⅛	15¾	2⅝	21¾	5⅛	11⅞	..
J								
Johns-Manville	80¾	15⅝	33⅜	10	60⅜	12¼	48¼	..
K								
Kennecott Copper	31½	9⅝	19¼	4⅞	26	7⅜	20⅞	..
Kresge (S. S.)	29⅝	15	19	6⅝	16⅞	5½	11	.80
Kroger Grocery & Baking	35½	12½	17⅞	10	35⅝	14½	20½	1
L								
Lambert Co.	87⅞	40⅛	56¾	25	41⅛	22⅛	28⅜	4
Lehman Corp.	69⅜	35	51⅞	30½	79⅜	37½	61	2.40
Liggett & Myers Tob. B	91¾	40	67¼	34⅛	98	49	80½	*5
Liquid Carbonic	55⅛	13½	22	9	50	10¼	23	..
Loew's, Inc.	63½	23⅞	37¾	13¼	4¼	1¾	2	..
Loose-Wiles Biscuit	54⅞	29⅞	36⅜	16½	42½	19¼	37	2
Lorillard	21⅞	10	18⅜	9	25¼	10⅜	16⅛	1.20
M								
Mack Truck, Inc.	43⅞	12	28¾	10	46⅜	13½	26¾	1
Macy (R. H.)	106¼	50	60½	17	65¾	24¼	43½	2
Marine Midland	24¼	9¼	14⅜	6½	11½	5¼	6½	.40
Mathieson Alkali	31½	12	20⅞	9	43¾	14	37	1½
May Dept. Stores	39	15⅝	20	9½	33	9¾	25	1
McKeesport Tin Plate	103½	38½	62¼	28	95¾	44⅛	77	4
Mont. Ward & Co.	29¼	6⅝	16½	3½	28⅞	8⅝	18½	..

Dividends and Interest

New York Stock Exchange Price Range of Active Stocks

INDUSTRIALS AND MISCELLANEOUS (*Continued*)

	1931		1932		1933		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	11/1/33	Share
N								
Nash Motor Co	40⅞	15	19¾	8	27	11⅛	17⅝	1
National Biscuit	83¾	36⅛	46⅞	20¼	60⅝	31½	40¾	2.80
National Cash Register A	39¾	7⅛	18¾	6¼	23⅝	5⅛	13⅝	..
National Dairy Prod.	50¾	20	31⅜	14⅜	25¾	10½	14¼	1.20
National Power & Light	44¼	10¼	20⅜	6⅝	20½	6⅞	10⅜	1
National Steel	58⅛	18½	33⅞	13½	55⅛	15	38	1
North Amer. Aviation	11	2⅜	6⅝	1¼	9	4	5	..
North American Co.	90¼	26	43¼	13¾	36½	15	15⅜	§8%
O								
Ohio Oil	19½	5⅛	11	5	17⅝	4¾	13¾	..
Otis Elevator	58½	16⅛	22½	9	25¼	10⅛	12⅝	.60
Otis Steel	16⅜	3½	9¼	1¼	9¼	½	3⅞	..
Owens Ill. Glass	39¾	20	42¼	12	96¾	31½	72	*2½
P								
Pacific Gas & Electric	54⅞	29⅝	37	16⅞	31⅞	17⅝	17⅞	1½
Pacific Lighting	69½	35	47½	20¾	43⅜	25	25	3
Packard Motor Car	11⅞	3⅞	5¼	1½	6⅞	1¾	3½	..
Paramount Publix	50¼	5½	11½	1½	2½	⅛	1⅞	..
Penney (J. C.)	44¾	26¾	34½	13	52⅝	19¼	41	1.20
Peoples Gas—Chic.	250	107	121	39	78	27¼	27¼	..
Phelps Dodge Corp	25⅝	5⅞	11⅝	3⅞	18⅞	4½	15⅝	..
Phillips Petroleum	16⅝	4	8⅛	2	18¾	4¾	14¼	..
Procter & Gamble	71¼	36⅜	42¾	19⅞	47½	19⅝	37¾	1½
Public Service of N. J.	96½	49⅛	60	28	57⅛	33¼	34⅝	2.80
Pullman, Inc.	58½	15¼	28	10½	58⅛	18	42	3
Pure Oil	11⅞	3¼	6½	2⅞	15⅜	2½	10⅞	..
R								
Radio Corp. of America	27½	5⅛	13½	2½	12¼	3	6⅝	..
Radio-Keith-Orpheum	4	2¾	7¾	1½	5¾	1	2⅜	..
Remington-Rand	19¾	1⅞	7½	1	11¼	2½	6½	..
Republic Steel	25⅜	4⅛	13⅞	1⅞	23	4	11½	..
Reynolds (R. J.) Tob. Cl. B	54½	32½	40¼	26½	54¼	26½	43⅛	3
Royal Dutch	42⅝	13	23¾	12⅛	37⅜	17⅝	36	1.07½
S								
Safeway Stores	69½	38⅝	59¼	30⅛	62⅜	28	37	3
Sears, Roebuck & Co.	63¼	30¼	37⅜	9⅞	47	12½	37	..
Seaboard Oil—Del.	20¾	5½	20⅜	6⅝	43⅜	15	32⅞	.60
Servel, Inc.	11¾	3½	5⅜	1½	7½	1½	4	..
Shattuck (F. G.)	29½	8¼	12¾	5	13¼	5¾	6⅜	.24
Shell Union Oil	10¼	2½	8¾	2½	11⅝	4	7⅞	..
Simmons Co.	23¾	6⅞	13⅜	2¾	31	4⅜	15⅞	..
Socony-Vacuum Corp.	21	8⅜	12¼	5¼	15½	6	11	..
So. Cal. Edison	54½	28⅜	32¾	15¾	28	15¾	15⅞	2
Standard Brands	20½	10½	17⅞	8⅜	37⅝	13¾	23½	1
Standard Gas & Elec. Co.	88⅜	25⅛	34¼	7⅝	22½	5⅛	8⅝	..
Standard Oil of Calif.	51¾	23⅛	31⅞	15⅛	44⅞	19½	39¼	1
Standard Oil of N. J.	52½	26	37⅜	19⅞	43⅞	22¾	40⅞	1
Stewart-Warner	21⅞	4¾	8½	1⅞	11½	2½	5¼	..
Stone & Webster	54½	9⅞	17⅜	4⅝	19¼	5¾	7¼	..
Studebaker Corp	26	9	13¾	2½	8⅜	1½	4	..
T								
Texas Corp	36¼	9⅞	18¼	9¼	30⅛	10¾	23⅝	1
Texas Gulf Sulphur	55¾	19½	26¾	12	41	15¼	37⅜	1
Texas Pac. Land Tr.	17⅝	4¼	8½	2½	11⅛	3½	6⅝	..
Tide Water Assoc. Oil	9	2⅛	5⅝	2	11¾	3⅛	9⅜	..
Timken Roller Bearing	59	16½	23	7¾	35½	13¾	24¾	.60
Transamerica Corp	18	2	7⅛	2⅛	9⅜	2⅝	5½	..
Tri-Continental Corp	11¾	2	5½	1½	8¾	2¾	4½	..
U								
Underwood-Elliott-Fisher	75¾	13⅜	24⅜	7⅜	39½	9¼	23⅛	.50
Union Carbide & Carbon	72	27⅛	36⅜	15½	51⅞	19¾	38¾	1
Union Oil of Cal	26⅝	11	15⅜	8	23⅜	8½	18⅞	1
United Aircraft & Trans	38⅞	9⅞	34⅜	6½	46⅞	16½	27⅞	..
United Carbon	28¾	6⅛	18	6⅝	30⅝	10¼	23½	1
United Corp	31¼	7½	14	3½	14½	4⅞	5½	..
United Corp. Pfd	52⅛	26⅛	39⅛	20	40⅞	24⅞	26½	3
United Fruit	67¾	17½	32⅜	10¼	68	23¼	58½	2
United Gas Imp	37⅛	15⅜	22	9¼	25	14	16⅝	1.20
U. S. Industrial Alcohol	77⅜	20⅜	36¼	13¼	94	13½	65⅜	..
U. S. Pipe & Fdy	37⅛	10	18⅛	7¼	22⅛	6⅛	13	.50
U. S. Realty	36¾	5½	11¾	2	14½	2½	6	..
U. S. Rubber	20⅜	3½	10¼	1¼	25	2⅞	15⅝	..
U. S. Smelting, Ref. & Mining	25¾	12⅜	22¾	10	105⅝	13½	100	*1½
U. S. Steel Corp.	152⅜	36	52⅝	21¼	67½	23⅜	37¾	..
U. S. Steel Pfd.	150	94	113	51½	105½	53	76	2
Util. Power & Lt. A.	31	7⅞	10⅜	1½	8⅞	1⅞	3	..
V								
Vanadium Corp	76¾	11	23¾	5¼	36¼	7⅝	17	..
W								
Warner Brothers Pictures	20⅜	2⅛	4½	½	9⅛	1	6⅜	..
Western Union Tel.	150¾	38½	50	12⅜	77¼	17¼	46⅜	..
Westinghouse Air Brake	36⅛	11	18⅛	9¼	35⅝	11¾	23	1
Westinghouse Elec. & Mfg.	107¾	22½	43½	15⅝	58¾	19⅜	32¾	..
Woolworth Co. (F. W.)	72¾	35	45⅝	22	50⅞	25½	36¾	2.40
Worthington Pump & Mach.	106⅞	15¼	24	5	39⅞	8	18	..
Wrigley (W., Jr.)	80⅜	46	57	25¼	53¾	34½	51⅞	3

§ Payable in stock. * Including extras. † Plus 1% in Stock.

Answers to Inquiries

(Continued from page 91)

of General Mills, Inc., did not have a spectacular market career in 1929, and is now selling much nearer to the boom high of that year than many other stocks, few companies can show a better record of conservative progress and stability of earnings. Through all the casualties of the past three years of depression, with its gloomy list of deficits and reduced or omitted dividends, General Mills has steadily increased its net income and the regular dividend rate established in the fall of 1928 has never been reduced. Reflecting the ability of the management to guide the enterprise through the most troublous times, net profit rose from $3,869,665, equivalent to $3.71 a common share in 1931, to $4,081,655 or $4.12 a share, in the fiscal year ended May 31, 1933, despite a steady decline in net sales from $122,746,136 to $83,886,335 in the period mentioned. This result was achieved in the face of the countless difficulties of the times, and also the upset conditions resulting from Government interference with the grain markets, impairing the normal usefulness of those markets for hedging purposes, a common practice among companies carrying inventories of grain. The financial position of General Mills has also been steadily improved. It has no funded debt, and current assets as of May 31, 1933, were $32,779,937 against current liabilities of $5,407,429, among which there were no bank loans or notes payable. General Mills may not double its earning power or market value within the next few weeks, but there is comfort for the investor in the thought that earnings and dividends are not liable to be reduced or wiped out. Therefore, as a conservative commitment for income and eventual appreciation in reflection of improved business conditions, we endorse the purchase of the stock of General Mills around current levels.

COMMERCIAL SOLVENTS CORP.

I will appreciate your giving me any recent information you may have on Commercial Solvents. Do you think its early prospects are amply discounted at present prices? Would you advise holding or selling 100 *shares of this stock bought several months ago at today's prices?—A. G. J., Hartford, Conn.*

In reflection of improved demand for its products, earnings of Commercial Solvents Corp. have consistently improved in each quarter of the cur-

rent year. Net for the three months ended September 30, last, amounted to $642,317 or 24 cents a common share against $412,290 or 16 cents a share in the second quarter and $224,758 or 9 cents a share in the initial quarter of this year. Thus, for the first nine months, profits amounted to $1,279,365 or 48 cents a share on the common stock, against $894,836 or 35 cents a share for the corresponding interval of last year. The company has maintained a strong trade position, ranking as the largest domestic producer of Butanol, employed principally in the manufacture of lacquers. Moreover, the sale of acetone, used primarily in the manufacture of artificial silk, is an important contributor to earnings. The recent acquisition of the industrial alcohol business of the Rossville Alcohol & Chemical Corp. further enhances its prospect of benefitting from "repeal" when and as it materializes. Obviously, the extent of such benefits accruing to the company cannot be accurately appraised at this time, but with the broadening of its activities to include the manufacture and sale of plastics and pigments, the outlook for Commercial Solvents is highly encouraging. Thus, while the common stock cannot be regarded as particularly undervalued at prevailing prices in relation to current earnings and prospects during the immediate future, the strong financial condition and favorable longer term outlook amply warrant maintenance of present holdings.

GRAHAM-PAIGE MOTORS CORP.

Among other stocks I have inherited a small block of Graham-Paige common. My broker informs me that the prospects for this company are not particularly promising, and suggests that I dispose of my holdings. Before placing the selling order, however, I would appreciate your opinion on this stock—J. E. P., Watertown, N. Y.

Admittedly, the adversities of the depression have been largely responsible for the heavy losses sustained by Graham-Paige Motors Corp. during the past three years, but the difficulties of the company date back as far as 1927, when a deficit of $4,643,351 was incurred, in contrast with a profit of $500,207 in the preceding year. A profit of $1,055,679 was registered in 1928, followed by substantial losses in each successive year to date. Since sales volume has declined consistently from 1929, the reductions in losses sustained during the calendar year 1932 and the first six months of 1933 are largely due to operating economies effected by the management, during those periods. Operations during the June and September quarters of the current year were substantially improved, however, enabling the company to report profits equal to four cents a common share, after preferred dividends for the first nine months. Nevertheless, in view of increased operating costs attendant the N R A automotive code, results during the final quarter of the year are not likely to be as favorable as those of the two preceding three-month periods. The losses sustained by the company in recent years have made sharp inroads into the working capital of the company. As of June 30, last, net liquid assets amounted to $1,370,025 against $2,758,673 a year earlier. Moreover, Graham-Paige is not as favorably situated, from the competitive standpoint, as other units in the industry. In the light of the foregoing, the common stock lacks the attraction of the more strongly situated automotive equities.

CHESAPEAKE & OHIO RAILWAY

I will appreciate anything you can tell me about the present weakness of the rail stocks in general, and Chesapeake & Ohio in particular, of which I have 75 shares bought two years ago at around 57. What do you think of its early prospects? Do you advise holding or selling?—A. T. L., Dayton, Ohio.

The record of Chesapeake & Ohio Railway during recent years of hard times stands out in relief against that of the average Class-1 road. Of course, the road has not entirely escaped the adversities of this period; but the rate of decline of net income has been comparatively nominal. This is entirely attributable to the fact that the road serves the southern bituminous coal producers, who have long benefitted from lower wage rates than prevail in the northern mines as well as an apparent preference for the higher quality coal of the Pocahontas district. Thus, we find that Chesapeake & Ohio was able to report net income equal to $3.07 a share for the calendar year 1932 against $3.49 in 1931 and $4.46 in 1930. Furthermore, a turning point was reached in April of this year, with sustained improvement in each month since. Hence, the road reported net equal to $2.66 a common share, after preferred dividends, for the first nine months of 1932 against $2.01 a share in the corresponding interval of 1932. The code agreements of the N R A have tended to nullify the price advantage of the southern producers, but there is basis for the belief that the preference for Pocahontas fuel will still prevail, and more or less offset this adverse development. The competitive position of Chesapeake & Ohio Railway has been strengthened by the acquisition of Pere Marquette, which opens additional outlets for Chesapeake's coal shippers in industrial Michigan. Furthermore, in effect, Chesapeake & Ohio is the sole support of the Van Sweringen pyramid, a factor that should not be overlooked in appraising the future of the road. Financial condition, moreover, as of July 31, last, was entirely satisfactory. As of the above date, total current assets amounted to $20,374,000 of which $6,800,000 consisted of cash against total current liabilities of $13,009,000. Thus, despite the fact that the common stock is not without a degree of speculative risk, we see little immediate cause for disturbing your present holdings.

CONGOLEUM-NAIRN, INC.

I bought Congoleum-Nairn at 17 on your advice, and sold at 25. I am now thinking of this stock as a long-pull investment, and will appreciate your advising me whether this company's prospects are such as to merit investment consideration now.—V. A., Chicago, Ill.

Despite the almost demoralized status of the building industry during recent years, earnings of Congoleum-Nairn, Inc. have been comparatively satisfactory, largely attributable to the replacement demand for its products. This company ranks as a leader in the manufacture and sale of hard-surface floor-coverings, advertising and marketing its products under the trade name "Congoleum." As a result of the release of accumulated replacement demand, coupled with price advances, ranging from 4% to 10% on various lines of linoleums and felt-base products, earnings of Congoleum-Nairn during the first half of the current year registered a pronounced improvement over those of the corresponding interval of 1932. Net income for the six months ended June 30, last, was $1,012,224 or 83 cents a share on the common stock in contrast with net of $367,297 or 26 cents a share for the first six months of last year. No definite figures are available, but current reports indicate that profits in the third quarter were more than those for the entire first half of the year. Financial condition as of June 30, last, was exceptionally liquid, total current assets amounting to $16,364,000 including $10,840,000 in cash, U. S. Government securities and short term State and municipal securities, against total current liabilities of less than $500,000. In 1931, the company developed "Sealex" wall coverings to compete with higher priced tile in hospitals, hotels, institutions, apartment and private homes. There is reason to believe that this product will ultimately prove an important source of revenues for the company. As a result of the im-

proved showing made during the first half of the current year and the more optimistic outlook for the company, directors increased the quarterly dividend rate on the common stock by 10 cents a share with a payment of 25 cents a share September 15, last. All factors considered, the common stock cannot be regarded as over-valued at prevailing prices, and commitments appear amply warranted on any price weakness.

Lower Production Costs and Expanding Markets

(*Continued from page* 80)

foreign interests and they are very secretive. The company makes only acetate yarns and fabrics, which have several qualities not found in other types of rayon. The price of acetate yarn is about double that of viscose rayon and last year was nearly as high as silk. Incidentally, only 15% of installed capacity is for making acetate, compared to three-fourths for making viscose rayon. The manufacture of cellulose acetate, the basic raw material used by these producers as well as makers of photographic film, is one of the fastest growing of all chemicals and last year the output was triple that of 1930 and more than four times greater than in 1929. In the meanwhile, Celanese doubled its 1929 capacity and is reported as about to re-double it.

Celanese Corp. of America has a complicated capital set-up consisting of three classes of stock—7% cumulative prior preferred stock of $100 par value, 7% cumulative first participating (to the extent of 10% of net profits after these dividends) preferred stock of $100 par value and 987,800 shares of no par common stock. Total net invested capital was (December 31, 1932) about 27 million dollars. On examination, it appears that it is necessary for this rayon producer to earn only over 8% on its invested capital in order to meet annual preferred dividend requirements; to earn $1 on the common stock, income would have to be at the rate of over 13%; but to earn $6 a share on this common stock, profits would have to be returned at the preposterous rate of 38% on the net capital. This sort of analysis should effectually dispose of the propaganda being put out about this market favorite.

Tubize-Chatillon Corp. is a consolidation of two enterprises established here by the European inventors and is the only user of the nitrocellulose process for making rayon. It also makes viscose and acetate yarns, ranking sixth among producers and when additions under way and contemplated are made, it will rank third, after du Pont. The Chatillon unit was organized in 1920 and Tubize in 1929, the year before the merger. Naturally, it has been impossible for this producer to demonstrate earning capacity as yet. The capital structure was revised in 1932. Funded debt is $2,000,000 and capital stock consists of two classes of preferred stock and 293,650 shares of $1 par value common stock. Net invested capital is about $12,500,000, on which 13% gross income, which is the normal rate of return for this industry, would have to be earned before the common stock would benefit.

Things to Think About

(*Continued from page* 73)

production of steel castings; 86.8 per cent in construction of commercial buildings; 86.7 per cent in machine tools; 85.6 per cent in public utility construction; 85.2 per cent in steel rails; 85 per cent in brick; 83.9 per cent in iron ore consumption; 81 per cent in residential building; 80.7 per cent in steel boilers; 76 per cent in electric motors; 72.8 per cent in power pumps; 69.5 per cent in motor trucks; 65.8 per cent in lumber shipments; 59.5 per cent in lead shipments; 52.6 per cent in cement shipments; 53 per cent in paint sales; 42.3 per cent in roofing materials; and 32.8 per cent in oil wells drilled.

Sanity Reaches the Movies

(*Continued from page* 71)

commodate 25,000,000 per day. But even at the very peak hardly 15,000,000 persons a day patronized the country's movie houses. Today 6,000,000 is optimism. There are probably 11,000 houses operating. If they can play to half their daily capacity they do well, and can stave off the sheriff—that is the small ones, for the big houses are not suited for sound.

Then there was the double feature madness. It was an hysterical attempt to lure the people in. A simple plan; one good picture, one poor and cheap picture, the latter a "quickie" generally, often costing as little as $10 a night. Now the public growls when the effort is made to drop back to one feature. The old admission price probably averaged 25 cents. Today 15 cents is a fair guess.

What is the biggest production obstacle? The director. Five years ago he was king; today almost generally he's a liability. Any man who is so unsure of what he is doing and so lacking in confidence that he has to shoot 100,000 feet of film to be sure of 7,500 for his resulting picture, should be sent back to whatever he was doing before he began to infest the picture studios. And the director knows he's lacking. Also he has discovered that there is a bogie sitting on the foot of his bed. The bogie is the writer. The director knows the writer will get him sooner or later. The producer is beginning to scowl at the director and cuddle the writer. He's right, as the next few years will prove.

Pictures cost too much. Probably an average today is $175,000 per negative. $50,000 should come off that.

Some studios are using their heads. Salaries are coming down. The old "racket" days are going. The thing is becoming something like a business under the increasing influence of the electrical equipment makers. Under the pressure of necessity, the foundations are being repaired; but the process is slow. In short, movie securities by no stretch of the imagination can be called investments. As speculations, they have seen the worst and should be heading for brighter days.

American Rolling Mill

(*Continued from page* 83)

volume of business. For example, in 1932 sales registered a decline of more than $12,500,000 from 1931, yet the loss after interest charges in the former year was only slightly more than $2,000,000 against a loss in 1931 of nearly $3,100,000. After a loss of about $967,000 in the first quarter of the current year, operations in the second quarter experienced a sharp spurt, resulting in a profit equivalent to 16 cents a share on the common stock, after allowing for interest charges and preferred dividends. Profitable operations were sustained into the third quarter, producing a profit equal to 18 cents on the common and reducing the loss for the nine-months period to $312,258, which contrasted with a loss of $1,821,418 in the same months of 1932. Activity in the plants of American Rolling Mill has been maintained at a level greater than that for the steel industry as a whole, but in the final quarter increased costs growing out of the N R A code will be in effect.

Preceded by $41,131,143 funded debt and 20,533 shares of 6% pre-

ferred stock, on which dividends were omitted last January, the common stock, outstanding in the amount of 1,669,253 shares, is distinctly a speculative vehicle. To compensate for the risks involved is the probability that the company will benefit directly from heavy demand for steel specialties which the $3,300,000,000 public works program will eventually make effective. Selling around 15, the shares are obtainable at a discount of about 50% from the highs of last July.

Can Prices Be Lifted by Federal Gold Operations?

(*Continued from page* 66)

buy sterling first and then exchange it for gold at our determined higher prices. So, if there is anything at all in our theory of price manipulation, British commodity prices in pounds will go up as well as ours in dollars. To counteract this tendency the British might bid up dollars, but that course could not long be pursued in view of the fact that devaluation of the dollar is practically certain, with a probable loss to dollar holdings. Should Britain close her free gold market to us we would be forced to broaden our policy considerably, for France would certainly not countenance a steady raid on the reserves of the Bank of France. Obviously we can not go far without an understanding with France and England, which may lead to stabilization of currencies. *Thus there arises the possibility of a lightning change in our monetary policies and the opening of a free gold market in New York.*

Unless the dollar falls relatively to the pound and other foreign currencies, we gain little export advantage. If it falls faster than the pound we gain some advantage except as rising prices in the U. S. may offset the difference. But that is of secondary importance—what our national policy aims at here is not foreign trade advantage but domestic price advance. The President seeks to elevate the price of gold in the belief that all other commodities will follow the lead of the primary commodity of exchange.

If gold buying at home and abroad can steadily lower the dollar in foreign exchange it may reasonably be expected that prices will rise here. This would not necessarily be the case, as the experience of England shows; the depreciation of the pound being but slightly reflected in domestic prices after two years. But English policy was opposed to raising domestic prices whereas that is what we want. Yet the dollar has not depreciated anywhere near as much at home as abroad since we withdrew from the gold standard. But the daily buying of gold abroad at prices designedly depressive of the dollar must *tend* to raise prices in the United States, since each day that more dollars are bid for gold, the more dollars can be bought abroad for gold or for foreign currency. The United States is not isolated or insulated from the rest of the economic world. The country, seeing its own Government depreciating its own money in terms of other currencies, will anticipate a much lower final value of the dollar. This should finally develop a flight from the dollar to goods and securities to forestall higher prices, if carried on determinedly.

Technical monetary inflation would not arise by this dollar depression course until a new gold valuation of the dollar were fixed by the President under his delegated power, or by Congress, but its consequences would be anticipated and discounted. Progressive price inflation should set in at once, for inflation is now the actual practice as well as the objective of the Government. Economic control is no longer relied upon alone to restore price relations and levels. If depreciative gold buying should fail to raise domestic prices by making gold cheap, recourse to greenbacks will be inevitable unless the gold dollar is soon devaluated. Higher prices are certain if the Government at Washington can bring them about by cheapening the dollar. This will be done, in the last resort, by the greenback route.

In such circumstances nothing can prevent a rise of prices of commodities and stocks except a recoil of confidence from the whole policy of depreciation of the dollar, which might lead to another period of fear and stagnation. A race in currency depreciation between the United States and Britain, the defection of France from the gold standard with ensuing monetary anarchy, a new war of tariffs, might cause such a recoil.

Otherwise, prices will go up until the government puts the dollar down to the level it has in mind, which is undoubtedly close to 50 cents. That is equivalent to about $41 the ounce of gold. Any man who believes that cheapening paper money with reference to gold means increasing prices of commodities, real estate and equity securities will buy them when he thinks that they are low on their merits. Good equity securities will certainly advance over a period of time (note that the President says the course may take three years) for extrinsic reasons if not for intrinsic—because values will be stated in a shorter measure—in cheaper dollars.

New York Curb Exchange

IMPORTANT ISSUES

Quotations as of Recent Date

Name and Dividend	1933 Price Range High	Low	Recent Price
Alum. Co. of Amer.	96	37¼	56
Amer. Cit. P. & L. B. (.15)	6⅝	3	2
Amer. Cyanamid B	15⅜	3¼	9⅞
Amer. & For. Pr. war	13⅛	2⅝	5⅛
Amer. Gas & Elec. (1)	50	17⅜	23
Amer. Lt. & Tr. (160)	26¾	12	13
Amer. Superpower	9¼	2½	3
Assoc. Gas Elec. "A"	2⅞	¾	⅞
Centrifugal Pipe (.40)	4⅞	2¼	3½
Cities Service	6¼	2	2¼
Cities Service Pfd.	30	10½	13
Colum. G. & E. cv. Pfd. (5)	138	68	81
Consol. Gas Balt. (3.60)	70½	43¼	51½
Cord Corp. (20)	15½	4⅜	7
Elec. Bond & Share (6% stk.)	41⅝	10	15⅝
Elec. Bond & Share Pfd. (6)	66	25	36½
Elec. Pr. Assoc. (.40)	11¾	2½	4⅜
Ford Motor, Pr. A	5⅛	3	10⅜
Ford Motor, Ltd	6¾	2⅝	5⅝
General Aviation	10¾	2⅞	5¼
Great A. & P. Tea N.-V. (7)	181½	128	129
Gulf Oil of Pa.	62	24	49
Hudson Bay M. & S.	12½	2⅝	9⅝
Humble Oil (2)	88	40	86
Inter. Petrol. (1.12)	19⅞	8⅞	19⅝
National Aviation	13⅜	4⅞	8¾
Nat. Bellas Hess	4¾	¾	2½
Nat. P. & L. Pfd. (6)	72¼	34	45
Niagara Hudson Pwr.	16⅜	8½	5⅜
Penroad Corp.	6⅜	1⅛	2¾
St. Regis Paper	8¼	1½	3
Salt Creek Pfd. (.80)	9¼	3½	5⅞
Standard Oil of Ind. (1)	33⅞	17	30
Swift & Co.	24¾	7	13½
Swift Int'l (2)	32¾	12¼	23
United Founders	3	¾	1⅛
United Gas Corp.	6¼	1⅛	2½
United Lt. & Pow. A	9¾	2	3¼

How Good Is Uncle Sam's Credit?

(Continued from page 63)

goes to pay national taxes. The national debt of the Kingdom is about 37 billion dollars; which is equivalent to about a third of the national wealth.

The credit of France is not bad but on a national wealth of 51 billions dollars it supports an internal public debt of 11 billions dollars, to say nothing of the dubious foreign (war) debts to the United States and the United Kingdom of upwards of 7 billions of dollars. On the total income of its people, about 10 billions a year, it supports an annual budget of more than 2 billions.

On the British scale of taxation we could support even in the present depressed state of trade a budget of more than 10 billions; on the French scale, eight billions.

With our present balance sheet and the indicated state of our revenues and expenditures Uncle Sam could be esteemed a sound loan risk for 35 billion dollars—even much more.

His people have unlimited confidence in his promises to pay. Neither threats of devaluation of the dollar, nor official efforts to cheapen it abroad and at home seem to impair that confidence. Europe coldly appraises our dollar at 65 cents but to Americans it is still a hundred-cent dollar. If a dollar buys less at home the plain citizen says it is because prices have gone up, not because he is discounting it.

But this inflation talk may upset this fine fiscal applecart. Just plain, genuine reflation might make the cart rock. Suppose sound business expansion should double prices. Income tax dollars on last year's income would meet only half the bill charged to them for this year's expenditures. But that difficulty could be easily negotiated by increased prosperity or increased rate of taxation or shift from income taxes to sales taxes. Besides, reflation would never proceed at the rate of 50 per cent a year.

Inflation of the currency by devaluation of the dollar might deflate credit even while inflating prices. People who found that interest and principal when repaid to them had only half the purchasing power of the money lent might not be eager to lend again, except possibly at a heavy discount and high interest. In such an eventuality the Government would be up against reduced buying power of its revenues and vanished credit.

It must be remembered that our situation is quite different from that of France when she devalued the franc. The paper franc, over a series of years, had gradually declined in purchasing power. In returning to the gold standard with a franc of 80 per cent less gold content than formerly the Government was merely conforming to an existing adjusted situation. It is proper to question whether the dollar has depreciated a cent in popular esteem. Prices have gone up 15 per cent since we went off gold, but then they went down 50 per cent while we were on gold. It is even quite possible that the dollar, if let alone, will climb back to something like its former relation to gold in foreign exchange.

Devaluation under these circumstances might be called by the ugly name of repudiation. With borrowing costly or impossible and revenues declining in fact if not in name, Uncle Sam's credit might fade rapidly. It is not the province of this article to discuss what would follow beyond saying that if resort to printing press money were compulsory (as distinguished from a sop of a billion or so of greenbacks to allay discontent), the credit that was United States would shortly be as obsolete as "the glory that was Greece and the grandeur that was Rome."

As I See It

(*Continued from page 59*)

may believe in a broader distribution of national income, but it is apparent that he is seeking it within the framework of the present order. He no more wants a literally socialized America than he desires uncontrolled inflation or excessive speculation or a return of unbounded production out of all consideration to markets.

After all, remember that the President's most recent utterance recognized that recovery will take a long time—that achievement of the desired price level may be a matter of two or three years. No prospect of a rapid and false recovery with an ensuing collapse returning the country to chaos is present in such a picture. Even the most cynical who are thinking of three years hence in political terms must recognize that Mr. Roosevelt must proceed carefully—must produce a substantial measure of recovery—or he will not have the opportunity to go on as recovery is consummated. There is every incentive for as sound and moderate policies as the present extraordinary times will permit.

It therefore seems reasonable to believe that if present plans are given a reasonable opportunity to work out without the obstruction of a falsely aroused public antagonism, they point unerringly to a cautious and deliberate upbuilding which merits the co-operation of everyone concerned in a re-attainment of normal times.

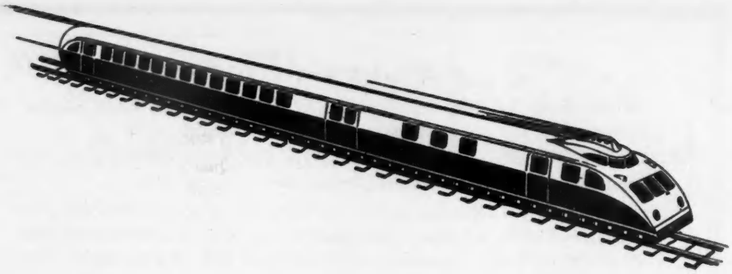
For Features to Appear

In the Next Issue

See Page 55

MARKET STATISTICS

	N. Y. Times	Dow, Jones Avgs.		N. Y. Times 50 Stocks		
	40 Bonds	30 Indus.	20 Rails	High	Low	Sales
Monday, October 23	72.21	88.13	36.10	78.09	75.06	2,128,050
Tuesday, October 24	72.27	91.35	37.98	79.17	75.48	2,114,260
Wednesday, October 25	72.39	93.54	38.72	81.97	78.69	2,878,700
Thursday, October 26	72.00	92.02	37.87	81.10	78.92	1,224,120
Friday, October 27	71.84	93.22	38.27	81.20	78.78	1,106,560
Saturday, October 28	71.78	92.01	37.84	80.59	79.44	376,590
Monday, October 30	71.20	88.43	36.09	80.98	75.95	1,465,930
Tuesday, October 31	71.00	88.16	35.94	77.09	74.95	1,128,810
Wednesday, November 1	70.66	89.62	36.16	77.05	74.81	1,143,140
Thursday, November 2	70.80	90.54	36.91	78.31	76.77	1,122,530
Friday, November 3	70.67	93.60	38.37	80.31	77.38	1,499,820
Saturday, November 4	70.66	93.09	38.82	80.30	79.10	703,910



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WORLD CRUISES

EMPRESS OF BRITAIN, 130 days (33 ports)....................Jan. 4, 1934
FRANCONIA, 141 days (33 ports)....................Jan. 9, 1934
RESOLUTE, 137 days....................Jan. 14, 1934
PRESIDENT GARFIELD, 109 days (20 ports)....................Feb. 22, 1934
PRESIDENT HOOVER, 159 days....................Dec. 11, 1933

EUROPE, ASIA, AFRICA CRUISE

EMPRESS OF AUSTRALIA, 69 days (25 ports)....................Jan. 30, 1934
COLUMBUS, 64 days....................Feb. 10, 1934

WEST INDIES CRUISES AND SOUTH AMERICA

KUNGSHOLM, 18 days....................Dec. 16, 1933
LAFAYETTE, 12 days....................Dec. 21, 1933
SATURNIA, 13 days (4 ports)....................Dec. 22, 1933
RELIANCE, 15 days (4 ports)....................Dec. 22, 1933
EMPRESS OF BRITAIN, 11 days (3 ports)....................Dec. 23, 1933
ROMA, 13 days (4 ports)....................Dec. 23, 1933
STATENDAM, 15 days....................Dec. 23, 1933
SATURNIA, 13 days (4 ports)....................Jan. 6, 1934
RELIANCE, 9 days (2 ports)....................Jan. 12, 1934
DUCHESS OF BEDFORD, 28 days (13 ports)....................Jan. 20, 1934
LAFAYETTE, 19 days....................Jan. 26, 1934
RELIANCE, 19 days (7 ports)....................Jan. 27, 1934
KUNGSHOLM, 18 days....................Feb. 16, 1934
LAFAYETTE, 19 days....................Feb. 16, 1934
RELIANCE, 19 days (7 ports)....................Feb. 17, 1934

ALL EXPENSE CRUISES—Havana, Mexico

ORIZABA, 13 days (3 ports)....................Dec. 6, 1933
CHEROKEE, 8 days (St. Augustine Cruise)....................Nov. 30, 1933

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- ☐ **Voyage to Norway**
- ☐ **Voyage to Sweden**
- ☐ **Voyage to South America**
- ☐ **Journey to Quebec**
- ☐ **Journey to Pacific Southwest**
- ☐ **California by Boat and Rail**
- ☐ **Voyage—China, Japan, India**
- ☐ **European Motor Tour**
- ☐ **South America by Air**

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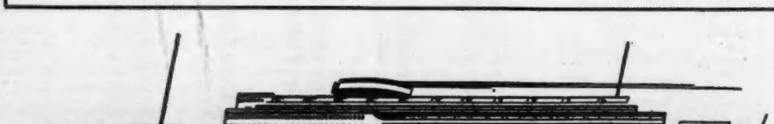

Standard Oil of New Jersey

(Continued from page 78)

gasoline are disproportionately high. If carried much further, the burden undoubtedly would result in curtailed consumption. Thus far, however, the effect has not been of major proportions and it is possible to hope that something approximating a limit of taxation on this product has been reached. Given even moderate business revival, it is improbable that there will be widespread public complaint over either the present gasoline taxes or the few additional cents which Federal price-fixing will add to the retail cost. Gasoline has become virtually a necessity. Relative to other necessities, its cost, in terms of essential transportation per mile, will remain moderate.

The Premier Unit

Within the scope of this analysis it is possible to sketch only in briefest outline the set-up and history of so vast an enterprise. Stripped of 33 subsidiaries by court decree, the company was left in 1911 with a daily production of some 10,000 barrels of crude oil and a daily refining capacity of 100,000 barrels. Today it is by far the largest and strongest unit in the industry. Last year, with consolidated affiliates, its crude refining run was 514,000 barrels a day, of which 38% was in 17 foreign countries. Crude oil production last year was 126,166,000 barrels, of which only a little more than one-third was produced in this country through subsidiaries, including Humble Oil & Refining Co., Carter Oil Co., Standard Oil Co. of Louisiana, Hope Construction & Refining Co., and East Ohio Producing & Refining Co., operating in Oklahoma, Kansas, Texas, Arkansas, Wyoming, Pennsylvania, West Virginia and Ohio. Foreign production is owned in Peru, Colombia, Mexico, Roumania, Poland, Canada, Dutch East Indies, Venezuela, Bolivia and Argentina. Potential expansion of foreign production, especially in South America, is beyond estimate and merely awaits enlarged markets.

Equally important in our picture is economical and efficient transportation, since this provides the margin of profit in some markets. Last year Jersey's 4,133 miles of trunk pipe lines handled approximately 290,000 barrels of oil a day. Its fleet of 196 tank steamers can transport even greater amounts of oil. The company's marketing system includes every state along the coast from Maine around to Texas, with the exception of Florida, Alabama and

Mississippi, and through subsidiaries also covers Arkansas and Tennessee, as well as Canada and many other foreign countries. Some 50% of this country's export business in petroleum is in the hands of this company.

Jersey's natural gas holdings are not only large and profitable, but are capable of much further expansion. Subsidiaries partly own and supply natural gas pipe lines serving such cities as Memphis, Shreveport, Birmingham, Atlanta and St. Louis. Other affiliates serve Baton Rouge, Denver and Chicago. Minority interest is held in the Natural Gas Pipeline Co. of America, which in 1931 began delivering Texas gas to Chicago and which eventually will supply other districts in Illinois, as well as in Iowa and Wisconsin. In the eastern fields some 240 towns and cities of 4,000,000 aggregate population are served in Ohio, Pennsylvania and West Virginia. With Columbia Gas, it jointly owns a pipe line from Kentucky east and participates in furnishing gas to Syracuse, N. Y. Because of its relative cheapness and high heating quality, the demand for natural gas will unquestionably grow. There is no calculable prospect of exhaustion of the supply. Indeed, measures of control in crude oil production will conserve a huge volume of gas now wasted.

The possible future of the hydrogenation process, in which Jersey has nearly a 50% interest for the world, outside of Germany, and which is used by other companies on a license or royalty basis, must be left to the imagination. By this process it is possible to convert any grades of coal, shale oil, coal tars, petroleum and residues into almost 100% of high grade finished products, without prohibitive cost. Since 1931 this process has been commercially applied in making improved motor oils and non-inflammable gasoline. "Hydrofined" motor oil is now being actively marketed.

More than 130 products are made, including such by-products as "Flit" and "Nujol," sulphuric acid, coke, wood-preserving oils, paints and inks, wax, salves, waterproofing and asphalts.

Property Investment

The company's gross property investment in the United States is $1,194,225,642; in foreign countries, $941,261,189. After reserves for depreciation, the net investment in the United States is carried at $590,065,565; in foreign countries, $519,872,418. For years growth in the property account has consistently run ahead of growth in capitalization. Funded debt of the company and subsidiaries is only $207,245,001, after reduction of $55,349,000, or some 21%, during 1932, chiefly through redemption of $30,-

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Over-the-Counter

IMPORTANT ISSUES

Quotations as of Recent Date

	Bid	Asked
Alpha Port. Cement Pfd. (7)	60	....
American Book Co. (4)	43½	46½
Amer. Manufacturing	12¼	16¼
Do Pfd. (5)	56	63
Amer. Meter Co.	8¼	11¾
Babcock & Wilcox (2)	35	39½
Bon Ami, B (2)	30	35
Carnation Co.	14⅛	15½
Do Pfd. (7)	92	....
Congol.-Nairn Pfd. (7)	104⅞	....
Clinchfield Coal	....	7
Do pfd	20	28
Colt Fire Arms (1)	15½	10¾
Crowell Publishing Co.	17⅛	19½
Do Pfd. (7)	82	89
Douglas Shoe Pfd	13½	17½
Dixon (Jos.) Crucible	36	41½
Dictaphone Corp.	9	11
Fajardo Sugar	57	....
Franklin Rwy. Sup.	17	....
Gt. N. Paper (1)	21¼	23¼
Gt. A. & P. Tea Pfd. (7)	121	124½
Herring-Hall Safe	14½	18
Howe Scale	1	2
Do Pfd	5½	8½
Merck Corp. Pfd. (8)	101½	105½
Macfadden Pub.	2⅛	3½
National Casket (2)	25	29¼
Do Pfd. (7)	88	92
Ohio Leather (1)	19½	24
Roxy Theatre Pfd. (A)	¼	1
Ruberoid Co. (1)	24	27½
Safety Car H. & L. (2)	38½	43
Savannah Sugar (6)	86	91
Do Pfd. (7)	93	98
Singer Mfg. Co. (6)	130½	135
Standard Screw	39½	44½
Stetson (J. B.) Co.	9	12
Do Pfd.	10	13½
Va. Ry	48	55
West Va. Pulp & Paper (.40)	12½	14
Do Pfd. (6)	78¾	85½
White Rock 2nd Pfd. (10)	135	....
1st Pfd. (7)	93	....
Young (J. S.) (6)	57½	....
Do Pfd. (7)	82½	....

000,000 of the parent company's 5% debentures and payment at maturity of $22,761,000 Humble Oil bonds. Other than funded debt, capitalization consists of 25,740,965 shares of $25 par value capital stock.

The latest balance sheet shows current assets of $574,782,127, including $116,857,704 cash, $61,772,692 in marketable securities, $168,564,702 in accounts receivable and $214,129,797 in inventories. Current liabilities, of which the chief item is $75,110,347 accounts payable, total $127,630,880. In addition to above stated property account and current assets, assets include $137,081,778 in stocks of corporations not consolidated and in "miscellaneous securities." Without patents or other intangibles, book value of the capital stock is approximately $43 per share. This is close to the prevailing market price of the stock, but represents properties appraised for balance sheet purposes at less than half of original cost.

The present shares represent a 20-for-1 split-up through reduction of par value of the common from $100 to $25 in 1920 and through a 400% stock dividend in 1922. All preferred shares were retired in 1927. For some years the "regular" dividend has been at the rate of $1 a year on the present shares. From 1926 to 1929 extras of 50 cents a year were paid and in 1929 the extra was doubled, making the rate $2. This was maintained throughout the depression, but was reduced to the regular basis of $1 last June, at which time the dividend basis was also made semi-annual. In view of the company's financial strength and its improved prospect, the $1 rate can be considered secure. Moreover, judging by past policy, extra dividends up to $1 a share annually may reasonably be expected if justified by improvement in earnings.

Per share earnings for the last ten years were as follows: 1923, $2.11; 1924, $3.30; 1925, $4.72; 1926, $5.01; 1927, $1.52; 1928, $4.43; 1929, $4.75; 1930, $1.65; 1931, 34 cents; and 1932, 1 cent. It is significant that over a decade of wide fluctuation in producing and marketing conditions this company, despite huge write-offs for reserves, has never experienced a deficit.

A Strong Equity

In summary the capital stock of the company may be regarded as an exceptionally strong equity, meriting a place in any balanced investment portfolio, and especially so during the present period of monetary uncertainty, in which protection of capital, as well as probability of future satisfactory appreciation and dividend yield, must be considered. The company should benefit substantially from higher prices of refined products and from the establishment of a more satisfactory "spread" between costs of crude oil and refined prices. In less important degree, it should benefit from more economical exploitation of its own producing properties under Federal control of crude production and from the cessation of inventory losses at least over the near future. It is possible, also, that it may benefit somewhat from a cessation or reduction of former losses in foreign exchange.

In conclusion, it must be recognized by investors that no given set of con-

ditions in the oil industry, even under Federal regulation, can be regarded as fixed and permanent. East Texas, with its present daily production of 460,000 barrels and a former flush production much higher, has been the largest single cause of unsettlement in the oil industry in recent years. Well-informed oil men believe that this field will be "on the pump" in six months to a year, after which costs of draining this oil will mount and production will decline. After that it will remain to be seen whether oil will become scarce or whether the opening up of new flush fields will further plague the hopeful machinery of control now set up.

In either event, under Federal regulation or going it alone, there is every reason to believe that Standard of New Jersey will remain the industry's premier unit.

What Third-Quarter Reports Indicate for Stock Prices

(*Continued from page* 69)

The food group possibly has the greatest number of candidates. Branded foodstuffs, biscuits, chewing gums, packers, corn products, all have done better this year. In the first section, General Foods and Standard Brands, the latter being given a little speculative fillup from its coming participation in the liquor business, meet the test of financial strength, stability of business, and return on capital. In the biscuit field there is National Biscuit, which was somewhat slower to reflect the better conditions than its smaller contemporary, Loose-Wiles. In chewing gums, there is American Chicle, Wrigley and Beech-Nut Packing—although the last named might easily be classed as a branded food or a packer. Corn products are represented by Corn Products Refining and Penick & Ford, both of which are doing well and expanding moderately.

In the tobacco and snuff field, reports are only made annually, so that there are no third-quarter earnings from which one can see in black and white how the companies have been faring this year. Cigarette consumption, however, is known to have increased very materially and, although costs are up somewhat and the current wholesale price of cigarettes is low, the big companies should be doing fairly well. As for snuff, it may be said that no single division of industry has held up through depression like this one and that there is no reason to suppose that the future holds anything but continued stability. There are many other

companies which fall into this second group, some of which will be found in the table on page 68.

The third, and final, group of industries comprise those whose prospects of improvement are at the best slow. The companies in this group unfortunately are very much more numerous than a glance at the table of third-quarter earnings would lead one to believe. This is because so many of these companies either have not reported as yet, or do not issue quarterly reports at all. The buyer of common stocks however, will have no difficulty in calling a great many of them to mind and unless he can satisfy himself very definitely that there are special circumstances affecting some particular company which have not yet been discounted in the price of its stock, he would be well advised to avoid the group. Such special circumstances might perhaps be sought first in the Government's efforts to stimulate this, that, or the other industry, although such stimulation, which at the best savors of artificiality, is dangerous ground on which to place any substantial sum of money.

Seldom, if ever, has the investor been faced with conditions such as exist today. From all the complex factors which confront him, however, one stands forth above all others; there is almost no prospect that the dollar will be stabilized at its old parity. Whether actual currency inflation overtakes us or not, devaluation is in process now and whereas we will return undoubtedly to the gold standard ultimately, it will be with a dollar cheaper in terms of gold than before.

Under such circumstances all portfolios at the present time should contain a substantial proportion of common stocks. This is true even though it be recognized that fourth-quarter business in all probability will not show up as favorably as the third. Business improvement of any sizable proportions is a prospect for next spring rather than for the closing months of the current year. Yet even so, and even though there are risks to all common stocks, nevertheless they represent tangible property at a time when abstract values are uncertain.

What proportion of his funds the investor should place in common stocks and what particular stocks he should select, must be left to the individual himself. He must cut his speculative risks to his own cloth. But so long as he recognizes that there are common stocks *and* common stocks, and that currency depreciation will not lift them all equally, he should be able by careful selection and diversification to avoid some of the dire consequences so evidently confronting the creditor class in this country.

Dollar Depreciation and the Market

(*Continued from page* 61)

that if moderate depreciation doesn't work, there will be insistent clamor for more of the same dose.

Under the circumstances, with monetary doubts as grave as ever, we believe there can be no sound alternative to an investment policy of full cash commitment in selected industrial stocks, chosen on the basis of probable earning power over the next several years, industrial and trade position, financial strength and quality of management. Accompanying this article is a list of fifteen such stocks previously recommended. Whether they reflect monetary depreciation soon or late, the wisdom of holding them and of further accumulation in periods of market weakness can scarcely be doubted. We see no logical reason to expect major decline. Speculative operations can dictate intermediate recession at any time, but this is not the kind of selling that makes a genuine bear market. Large scale liquidation "out of the box" is absent. It is not likely to appear as long as monetary uncertainties focus all effort upon the protection and preservation of capital.

With the exception of construction, which has advanced to a level 25 per cent above that of a year ago in reflection of the Government's public works program, most business indexes continue to reflect the gradual recession evident for many weeks. There has been a slight, seasonal improvement in retail trade, but accumulated stocks of goods remain to be worked off and some hard-pressed merchants are adopting price concessions. Sales of automobiles, although in seasonal decline, continue to make a remarkably favorable comparison with a year ago. On the whole, it may be held that business and industry are going through a phase of adjustment and consolidation after the too-rapid advance of spring and summer. Yet basic economic recovery throughout the world is clearly under way. Our present breathing spell leaves us well above the level of panic and stagnation last March. There is no reason to abandon hope that the second phase of American recovery lies ahead.

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